Tuesday June 16 1987

D 8523 A

# **Former** Soviet minister jailed

World news \*\*\*\*\*

Soviet Supreme Court sentenced Vladimir Shushkov, former Deputy Minister of Foreign Trade, to 13 Morton said cash generated from projected heavy use of the years jail for accepting bribes and

confiscated his property. ond fixe
Mr Shushkov is one of the most
senior Soviet officials to have been arrested since the clampdown on official corruption started after the death of Soviet leader Leonid Brezhnev in 1982.

Sengate to

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gy c Hoose

According to the Soviet news agency Tass, Mr Shushkov was agetaly lass, far Shishkov was found guilty of taking bribes worth 127,000 roubles (\$208,000) from for-eign companies which were not named. Page 2

### W.German ship hit

A West German navy ship was accidentally hit by artillery shells from a Warsaw Pact vessel in the Baltic Sea and three sailors were injured, the Defence Ministry said.

### Delhi near standstill

Sikh gunmen struck again in Pun-jab and shops and markets shut in New Delhi after weekend shootings by Sikh extremists left 14 dead and 20 wounded in the capital.

### Jaffna relief deal

Sri Lanka agreed that India should send relief supplies, by unarmed ship, for Tamils in the Jaffna penin-sula. Page 5

### Child torture 'rises'

Police repression and abuse of children have increased under South Africa's state of emergency, with black children as young as 12 being beaten and tortured, accord-ing to the US branch of Defence for Children International, a Genevabased human rights group.

### Dikko gains time

Umaru Dikko, a former Nigerian Transport Minister who narrowly escaped being returned to Nigeria in a crate during an abortive kidnap attempt in London in 1984, was for a limited period. Page 11

# Bomber breaks down

US supersonic B-18 nuclear bomber, the most advanced of its type. broke down at the Paris air show. The crew could not fly it back to Texas because of a power-plant prob-

terrorist suspects, one of them wanted after the murder of Gen Liwanted after the murder of Gen Li-cio Giorgieri in Rome in March. Page 3

# Rebels 'kill 11'

Left-wing Peruvian guerrillas stabbed to death 11 peasants after accusing them of collaborating with government forces, police said.

# Asvium unlikely

West Germany is likely to turn down a request for asylum made by 14 jailed Chileans threatened with the death penalty, an Interior Min-

# istry spokesman said.

Belfast bombing A man who resigned from the Ulster Defence Regiment six weeks ago was killed when a bomb ex-

### ploded under his car as he left work at Belfast's main post office.

Civilian rule charter Niger's population has overwhelmingly endorsed a national charter to lead the west African nation back to some form of civilian rule under military supervision.

# Cheats arrested

Bangladeshi police fired birdshot at crowds trying to pass notes to stu-dents taking examinations. Ten students have been arrested and nearly 1,000 expelled in a drive against

Companies ..... 25, 26

Companies ..... 25, 26

Britain . . . . . 8, 11, 12, 14

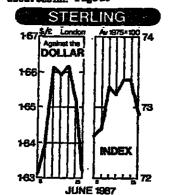
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Companies ..... 32-35

# Second **Channel Tunnel** 'possible'

from projected heavy use of the Channel Tunnel could finance a secand fixed link early next century.

CIBY-GEIGY, Swiss pharmaceuticals and chemicals company, has agreed in principle to buy Spectra-Physics, a California manufacturer of laser systems, for \$35.50 per share in cash, for a total value of about \$224m. Page 26



GOLD fell in London to \$449.75 from \$456.00. It also fell in Zurich to \$449.75 from \$456.25. In New York the August Comex settlement was

\$456.70. Page 35 DOLLAR closed in New York at DM 1829; SFr 1.5161 FFr 6.1025; and Y144.85. It rose in London to DM 1.8245 (DM 1.8115); SFr 1.5130 (SFr 1.5000); Y144.75 (Y143.80); and FFr 6.0900 (FFR. 6.0475). On Bank of England figures the dollar's ex-change rate index rose to 102.1 from

101.3. Page 37 STERLING closed in New York at \$1,6305. It fell in London to \$1,6320 (\$1.6520). It also fell to DM 2.9775 (DM 2.9925); SFr 2.4700 (SFr 2.4775); FFr 9.9375 (FFr 9.9900); and Y236.25 (Y237.50). The pound's exchange rate index fell to 72.9 from 73.3. WALL STREET: The Dow Jones in-dustrial average closed up 13.81 at 2,391.54. Page 48

TOKYO: A strong rise by high-tech-nology stocks failed to offset falls in large-capital and consumer-related tocks and prices fell. The Nikke average shed 137.83 to 25,756.44.

LONDON: Strong domestic buying pushed equities to a closing peak but gitts fell sharply. The FT-SE 100 index closed up 18.1 at a record 2,307.6 and the FT Ordinary index rose 18.8 to a high of 1,786.6.

KLUWER, the number three in Suspects held

Paris police arrested four Italian

Dutch publishing, is to merge with its smaller rival Wolters Samsom to head off an unfriendly takeover bid

BAA, formerly the British Airports Authority, is to come to the London stock market with a flotation of shares in the middle of next month.

FRANK CAHOUET, a 55-year-old banker with a reputation for turn-ing around troubled banks, is expected to become chairman and chief executive of Mellon Bank which lost \$60m in its first-quarter.

SHELL OIL AND FLUOR, the international and construction group, have agreed to break up their jointly-owned Massey Coal Company and to divide up its assets. Page 25

TOKYO STOCK EXCHANGE is being lobbied by those foreign brokers permitted to trade there over proposed cuts in fixed commissions which the foreigners fear may be imposed discriminatorily. Page 48

UK CHANCELLOR Nigel Lawson told fellow European finance minis-ters in Luxembourg that the debate was now "more open" on Britain joining the exchange rate mechanism of the European Monetary Sys-

CAESAR'S WORLD: Long-running battle for control of the Los Angeles-based gambling and leisure group ended when New York inves-

# Brazilians ready to discuss formal accord with IMF

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is ready to discuss a formal agreement with the International Monetary Fund (IMF), reversing 30 months of bostile rhetoric, if the Fund accepts without alteration the country's new economic stabilisation plan.

Any such accord, long demanded by commercial banks and the Paris Club group of sovereign creditor countries, could unlock substantial new money to relieve Brazil's \$113bn debt burden. It could also hasten the end of its February 20 moratorium on interest payments on \$68bn in longer-term private sec-

Relations between Brazil and the Fund broke down after two years in 1985 amid fierce recriminations from the Brazilians that the targets imposed could not be achieved without an unacceptable measure of economic recession.

A clear indication that the Government is now markedly softening its stance on the controversial IMF issue came late on Sunday from Mr Luiz Carlos Bresser Pereira, the Finance Minister and chief architect of last week's tough austerity mea-

Defending his plan for a new prices and wages freeze and wideranging public expenditure cuts, the Minister made clear that he hoped the programme would form lease to Brazil of new IMF loans. But it is clear that substantial dif-

IMF requirements for specific targets on items such as trade perfor-

"We are working with their concepts, not with their objectives, such as targets for trade surpluses, Mr Bresser Pereira said. "But we are disposed to discuss and nego-

The statement confirms independent analysts' earlier claims that a major shift in Brazil's position on the IMF has been underway since the resignation of the former Fithe basis for an accord and the re- nance Minister, Mr Dilson Funaro in April. Commentators have noted that

ferences still remain over the exact Mr Bresser Pereira has already form that a deal would take, with held talks with an IMF team visitdisagreements likely to centre on ing the country under the Fund's

statutory Article Four provisions last month. The same team is due to return at Brazil's invitation next week to examine the new plan.

As Brazil's economic crisis has worsened, the public attacks on the IMF have declined markedly, even from the left-wing where opposition to an accord is most vigorous. Significantly, Mr Almir Pazzianotto. the Labour Minister closely associated with centrist union groups said in the same interview that the debate on an IMF agreement "always has been badly presented and examined."

For the Brazilians, the essential factor in any accord is that it is not viewed by the domestic public as compromising the country's sovereignty over economic affairs.

Nevertheless, Mr Bresser Pereira is this week drawing up his own list mance, public expenditure and for-eign reserves. of objectives. If these require only minor adjustments in talks with the IMF, it could be argued that Brazilian sovereignty has been main-

> The pressure for an IMF accord is mounting on Brazil in the light of imminent talks with the Paris Club. A deal could unleash some \$2bn in new funds yearly.

A key clue to the Brazilian position is likely to emerge this week in the status accorded to the IMF team. If the visiting officials are accorded a negotiating status, sub-stantive talks may get underway

# BIS urges closer co-operation to correct trade imbalances

the US current account deficit.

this was likely to continue.

BY ALEX NICOLL IN BASLE

tries must co-ordinate their eco- first quarter from last year's slow trade and avoid a further damaging

The Basie-based bank, owned by the world's major central banks, ex- and rise in dollar interest rates. pressed dismay at the development of the world economy over the past year, with economic growth declin-

year, with economic grown declin-ing and unemployment remaining high.

The BIS, in its annual report and in statements by its officials at the gathering of central bankers for the bank's annual meeting in Reals bank's annual meeting in Basle, thrust the responsibility for further cies of major governments.

action squarely on to the fiscal poli-Monetary policy measures and the annual meeting. "But patience co-ordinated intervention in the is not enough. These countries must currency markets, it said, could not also demonstrate that they are both

THE BANK for International Set-tlements warned yesterday that governments of industrialised coun-low an annual 2 per cent rate in the willing and able to bring about a greater co-ordination of their mac-low an annual 2 per cent rate in the He said the Louvre accord earlier

nomic policies more closely in order 2% per cent pace, with lower oil this year set the basis for a co-ordito correct huge imbalances in their prices not having the stimulative efnated approach to correcting exter-nal imbalances and underlined the fect that the BIS had expected. crucial role which could be played Moreover, the BIS displayed alarm at this year's fall in the dollar by exchange rate stabilisation. These suggested that private capi-

Mr Godeaux also welcomed the Venice summit accord last week to tal was no longer willing to finance intensify co-ordination of policies, particularly because it held out the Although the fall of the dollar did prospect of additional government not reduce the nominal payments measures should economic growth imbalances of the three major countries - the US, Japan and West Ger-

Stability of exchange rates could many - there were signs recently of not be achieved by central bank inimprovement in trade balances and tervention alone. Intervention, Mr Godeaux said, could, however, have "So we must have patience," Mr Jean Godeaux, BIS chairman, told a powerful influence, "if it is the sigthe annual meeting. But patience nal that macro-economic policies

Continued on Page 24

# EC spending talks collapse

BY QUENTIN PEEL IN LUXEMBOURG

THE COMBINED ranks of European Community finance and agriculture minister yesterday ahan-doned the unequal struggle to find a joint solution to the soaring cost of EC farm spending.

They handed over the problem to

the certain prospect of a marathon and bitter farm-price negotiation among the agriculture ministers alone, who seem increasingly un-likely to find any package deal of-fering any budget savings at all.

Yesterday's much-vaunted "jumbo" meeting called at the request of Mr Jacques Delors, the President of the European Commission, left every national delegation dug in on its familiar position, with little regard for logic or the budgetary conse-

On the one hand, the farm ministers have already whittled away the Commission's planned savings from Ecu 1.1bn (about \$1bn) to just Ecu

on a spending ceiling of under Ecu French counterparts, that the MCA 23bn for next year, or Ecu 4bn short system, by tying prices to the stron-

The major target of criticism at since 1984. the meeting was West Germany the member state which is the larg- somewhat inconsistent in calling est net contributor to the budget, which is the most fiercely opposed to agricultural price cuts, and yet sion, and then admitting that he significant increase in budget con-tributions.

man Finance Minister, gave strong support to the position of his colleague for agriculture, Mr Ignaz

The most likely outcome of the

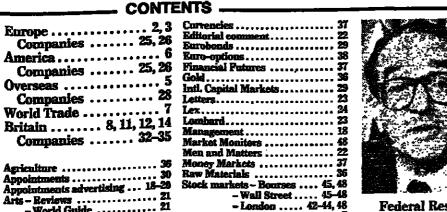
ture of some Ecu 4bn.

On the other hand, the finance ments of Mr Nigel Lawson and Mr ministers have unilaterally decided Edouard Balladur, his British and of the level the Commission begest EC currency, had actually lieves is absolutely necessary. gest EC currency, had actually raised farm prices by 12 per cent

However, Mr Lawson was also for the maximum cuts in spending Mr Gerhard Stoltenberg, the Ger- the saving. He ended up asking for

Kiechle, especially in opposing any meeting is that both the thorny drastic change to the system of questions of the MCAs and the oils monetary compensatory amounts and fats tax will not be resolved by (MCAs) which protects German the farm ministers, but end up on farmers from the full effects of the the agenda of the EC heads of gov-

### tor Martin Sosnoff withdrew his 340m this year. That would still strong D-Mark on their national erument at their end-of-month sun \$1.1bn tender. Page 25. leave an overspending on agricul- prices.



**COMING TO** TERMS WITH THE FED'S new man

Federal Reserve Chairman Alan Greenspan: succeeding a man who achieved demi-god status, Section III

### West Germany: service industries in a state of flux ...... 2 IIS economy: outlook for the dollar after Machine tools: West German manufac-Management: investor's principal line of defence ...... 18 Editorial Comment: Venice - an elo-Lombard: excess of reticence in German banking ...... 23

Lex: BAA; Williams/Reed; Fimbra rules:

Aitken Hume ...... 24

# **Students** safely evacuate **Seoul** cathedral

By Maggle Ford in Secut

THOUSANDS of ordinary citizens took up the compaign for democracy in South Korea yes-terday as the students who have spearheaded the movement were safely evacuated from their sanctuary in Seoul's Roman Catholic

The students, who had been besieged for five days by riot po-lice, departed for their campuses on buses with priests on board to guarantee their freedom from ar-

monstrated nationwide yesterday in layour of democracy. Shouting "Down with the dictator," they demanded that President Chum Doo Hwan rescind his April decision to put off talks about demoand to put in tails about cemo-cratic change until after the 1988 Seoul Olympic Games.

At one Seoul university, more than 7,000 students fought police with petrol bombs and stones in

the surrounding streets. During the day, about 19,000 people in Seoul's office district surrounding the cathedral gathered to chant slogans and sing the na-tional anthem. They were joined in the evening by worshippers carrying candles, along with nuns and priests.

Since last Wednesday, when the country's ruling Democratic Justice Party confirmed Mr Roh The Woo as its candidate to succeed President Chun when he steps down next February, the South Korean people have made clear their feeling that this will be a continuation of military-Western diplomats and Ko-

rean analysts have commented that the violence and public support for change is the strongest seen in the seven years of the Chun Government. Public protest led by student demonstrations caused the downfall in 1960 of South Korea's first leader, President Syngman

Rhee, and played a large part in the background to the assassina-Park Chung Hee in 1979. ering a sermon during mass at the cathedral last night, stressed the need for peace and reconcil-

iation and an end to the desire to seek revenge. He urged the Government to begin sincere dialogue with the opposition to meet the democratic aspirations of the Feeling against Chun grows, Page 5

# Italy poised to vote coalition back to power

night to have voted for a renewal of the five-party coalition which col-lapsed in disarray in March and to have decisively rejected the "social-ist alternative" proposed by the Communist Party.

According to projections late last night, the Communist share has fallen from 29.9 per cent of the vote for the Chamber of Deputies to 26.4 per cent - which would be its lowest support since 1963. Clearest winners among a large

field of parties are the Socialists, led by former Prime Minister, Mr Bettino Craxi, and the Greens whose first national election campaign promises to yield around 2.6 per cent of the votes for the lower house of parliament, the Chamber of Deputies. Under the Italian proportional representation system the number of seats gained will accurately reflect the share of the vote. In the early evening, Doxa, the Italian polling organisation, forecast a 144 per cent share for Mr Craxi's Socialists, which would be the party's highest vote since 1968

the Social Democrats. If confirmed, Mr Craxi will undoubtedly see this 3 percentage point gain on the party's 1983 result as a reward for his performance over nearly four years as Prime Minister. Speaking on television last night, he said the party was on its way to recovering its historic strength and that a "socialist area" was developing in Italy.

when it campaigned jointly with

However, any bid Mr Craxi makes to lead the next coalition will be complicated by the fact that the Christian Democrats look likely to have recovered modestly from their historic low of 1983, pushing up their share from 32.9 per cent to 33.8 per cent.

with their position as Italy's largest although their challenge forced all party somewhat strengthened, the Christian Democra's must take ish hue. charge of the Rext covernment.

up saying that he would not give the next government to abandon "off-the-cuff" judgments before all nuclear energy. the results were in. Commenting on said "even parties which have not from the results."

Most commentators were agreed crats and the Socialists are "condemned to remake the five-party



Formation of the next government may depend even more heavily on an agreement between the two parties than in 1983 because the Socialist gains appear to have been made largely at the expense of the smaller coalition partners, the Republicans (down from 5.1 per cent to 3.7 per cent), the Social Democrats (down from 4.1 per cent to 3.1 per cent) and the Liberals (down from 2.9 per cent to 2.2 per

Mr Carlo De Benedetti, the president of Olivetti, last night forecast a "very positive" reaction in overseas markets to the election results, claiming that by reducing the Communists' strength, Italian politics were coming into line with the rest

of Europe.

The vote demonstrated that the people wanted fewer rows between the parties and the speedy formation of a government, he added. The success of the Greens was re-

markable given their lack of organi-sation and campaign funds. Mr Ciriaco De Mita, the party

They look to have taken a good seader, will be bound to argue that slice of votes off the Communists. the main parties to acquire a green-

Their solid presence in the next For his part. Mr Craxi refused to parliament will, among other be drawn on the next coalition line- things, put enormous pressure on

The Greens have so far played the Christian Democrat vote, he only a minor part in Italian politics. unlike environmentalist parties in won can take some consolation other parts of Europe, notably in

West Germany. But the Italian voters appear, this last night that, in the words of ve-time, to have responded to environteran newspaper editor Mr Indro mentalist issues, such as the Chern-Montanelli, the Christian Demo-obyl nuclear accident and the Rhine pollution disaster, in line with their European counterparts by voting for the Greens in greater numbers.

# THE BANK WITH THE GLOBAL VIEW.

In the past Australian banks have tended to concentrate on their home market to do business. Not so at Australia and New

Zealand Banking Group, which now net assets of over £25.7 billion.

includes Grindlays Bank and has The group has an international network with more than 1,600 bran-

ches and offices in over 48 countries. Both ANZ and Grindlays have over 150 years experience in financing international trade and today offer a full range of banking and financial services.

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# UK steel users appeal for higher quotas

BRITISH STEEL users are demanding "urgent action" quotas because they believe the from the European Commission steel industry is still too weak to allow more generous output quotas for flat rolled products.

Industrial consumers are facing "serious difficulties and increased costs" because BSC The is unable to deliver on time without breaking its EC imposed quotas, says that British Iron and Steel Consumers' Council in a letter to the Euro-

pean Commission. It points out that BSC is having to pay around 250 per tonne, and sometimes even more, to buy unused steel quotas from its EC competitors to enable it to meet demand from its UK customers. "It is a scandal," and is creating artificial characters and discretifical characters and discretifical characters. artificial shortages and dis-crimination between Com-munity countries, said Mr John Safford, the consumer council's

director.

EC steel quotas were set in place in 1980 to help support prices while producers tried to shed overcapacity during the recession. The steel con-sumers' complaint highlights why Britain is one of the very few European steel producing countries to be pressing for a quick end to quotas and a

steel industry is still too weak to stand the strain of open competition.

addressed to Mr Jacques Faure, head of the Commission's stee directorate, says that some British stripmill customers have seen BSC delivery times grow from eight to 12 weeks in recent months.

The only solution for British manufacturing customers is to buy more steel from stock-holders—a costlier source than the mills themselves—than they would wish.

If the US steel user is unable to deliver in the time normally expected by his customers, he also risks losing business to Continental competitors, whose steel deliveries are not so extended," says the consumers' council.

The council is specifically asking for more generous quotas for BSC for flat rolled products, where EC overcapacity is most severe. But its letter adds: "It is high time that the Commission increased quotas across the board so that no longer easy for return to a free market. Continental producers to hold Most of its EC partners want BSC to ransom in this way."

# Greece glories in prowess of its basketball heroes

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE WOKE up to an extra- impromptu prize to the national ordinarily festive morning basketball team, whose 103—101 yesterday following the national points victory sparked off basketball team's cliffhanger victory against the Soviet Union on Sunday night in the Euro-pean Basketball Championship, the first such success in the

Onessis Foundation, established human dignity," as well as May 28, arrived in Moscow under the terms of ship owner Amnesty International and yesterday and will see their Aristotle Onessis's will in Archbishop Rivera Y Damas of the fallure of Soviet air defence the foundation of the fallure of Soviet air defence the fallure of the fall killed in an air crash in 1973. the Aristotelis prize "for a to stop Mr Rust's flight led to Rising to the occasion, the notable contribution to the solution announced yester tion of crucial problems of Minister and the commander in-

points victory sparked off delirious night-long street celebrations around Greece.

The players thus found themselves in the distinguished com-pany of such as Mr Sandro country's athletic history.

The victory coincided with an annual glittering event—the awarding to international personalities and organisations of a set of \$100,000 prizes by the of people and the upholding of light aircraft in Red Square on human dignity." as well as May 28, arrived in Moscow day that it was granting an contemporary society."

# Soviet high official iailed over bribes

By Patrick Cockburn in M THE SOVIET Supreme Court yesterday sentenced Mr Vladimir Shushkov, the former Deputy Minister of Foreign Trade, to 13 years in prison for accepting bribes. He is one of the most senior Soviet officials to have been arrested since the clamp-down on official corruption started after the death of Mr Leonid Brezhnev in 1982.

According to the Soviet news agency Tass, Mr Shushkov was found guilty of taking bribes worth Roubles 127,000 (£127,000) from foreign companies which were not named. In addition to his prison sentence, Mr Shushkov's property has been confiscated.

His wife, Mrs Valentina Shushkova, formerly a senior official of the Soviet State Committee for Science and Technology, received a sentence of 11 years in jail and confiscation of property for accepting bribes. The court's verdict says they were in return for "a favour-able attitude to foreign companies in resolving matters of bilateral scientific, technological and economic co-operation and for assistance to those companies in putting their goods on the Soviet market. She has

taken bribes worth Roubles

392,000. Even representatives of

foreign concerns described Mrs Shushkova as the 'golden signora' for her greed." Mr Shushkov held an ex-tremely powerful position at the Foreign Trade Ministry which up to last year had monopoly control over exports and imports. His arrest at the end of 1985 came immediately before a major reform of the powers of the Ministry and a rapid changeover in its senior

personnel. Four foreign trade officials in the foreign trade organisation in charge of the import of con-struction materials all received long sentences for accepting

light aircraft in Red Square on May 28, arrived in Moscow Minister and the commander-in-chief of air defence.

# Eurofighter chief denies claim by Dassault

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

gian Government joining the four-nation European Fighter Aircraft programme, currently planned by the UK, West Germany, Italy and Spain, remains wide open and discussions on such participation are continu-

This was stressed at the Paris International Air Show yester-day by Dr Karl Peter Ficht-muller, president of Euro-fighter, the organisation set up to run the 800-aircraft programme, in rebuttal of suggestions over the weekend that Belgium was already set to join

Dr Fichtmuller said that full details of the EFA programme had been given to the Belgian Government and negotiations were continuing.

"Considerable progress has been made," he said, Euro-fighter and the four partner companies would warmly weie our Belgian friends as full members of the partner-ship. As such they would fully participate together with the other partners in the programme decisions, no matter what proportion of the total

We see no difficulties in enlarging the structure of the

existing partnership if the Belgians and other countries wish Dr Fichtmuller declined to name the other countries with

which discussions were under way on possible participation in the EFA programme, but they are believed to include the Netherlands and Denmark. He also said that the detailed contractual proposals for fullscale development of the EFA had now been passed to the four governments involved. These

expected to be authorised before current Tornado multi-role comthe end of this year.

In the meantime, preliminary engineering was going ahead, in anticipation of that approval, so as not to delay the pro-

Dr Fichtmuller said that the development cost would be about £2.8bn or Ecu 4bn although the ultimate costs including quantity production would be much higher. Dr Fichtmuller also said that the costs of the programme to date were well under control and that the eventual flyaway cost

THE POSSIBILITY of the Bel- the rival French Dassault number of aircraft they finally were under discussion and full of the EFA per aircraft would gian Government joining the Rafale fighter programme. decide to take. bat aircraft."

There would eventually be four assembly lines for the EFA, one in each of the four main participating countries. Giving a rough breakdown of the shares of the anticipated production of around 800 aircraft, Dr Fichtmuller said that at present it was envisaged that the UK and West Germany would each take about 250 air-craft, with Italy taking be-tween 150 and 200 aircraft and Spain somewhere between 75 and 100.

Haig Simonian on the W German battle over store opening hours

# Unions bar door to longer shopping

industries are in a state of flux. In May, the country's banks suffered an unprece-dented wave of brief, selective strikes. Now, the focus has shifted to the retail sector, as unions and consumers line up over the bigger issue of greater flexibility and longer shopping

hours. For non-Germans, trained to see the country's labour rela-tions as a model of reason and like - mindedness workers and management, the arguments that have been bandled about against greater flexibility can sound remark-ably Luddite. Take banking. Only after

10 hours of "summit" talks in mid-May was a carefully drafted compromise on pay and limited job flexibility finally reached between the Deutsche Angestellten - Gewerkschaft (DAG) and the Gewerkschaft Handel, Banken und Versicherung (HBV) the two main white-collar unions representing clerical, bank and shop

While the unions only agreed to slightly more flexible hours for a limited number of staff directly advising customers, and postponed their call for a

wider-ranging arguments about changing high street shopping hours come to a head. Hours in West Germany are

precisely how long shops can stay open. The result is that high streets are virtually dead come closing time at 6.30 pm. make up for the cost of later even Saturday is no shoppers' opening. Nor will businesses paradise as the law states that doors must clos eas early as all that will happen is that 1.2 pm on all but one day a existing buying patterns will month.

The pressure for change has come from West Germany's for the DAG, is only a little liberal Free Democratic Party, less forthright. "We are using

No one is talking about a revolution. At stake is a small extension one evening a week to make it easier for working people to get to the shops.

limited extension in shopping change," he says. The DAG, hours written into the planned which, unlike the RBV, is not legislative programme ham-mered out by the coalition government after January's federal election. A consumer group, the Arbeitsgemeinschaft der Verbraucher, is also press-ing for a change. No one is talking about a

revolution. At stake is a small extension one evening a week to make it easier for working people to get to the shops. However, the unions have reand postponed their can for a shorter working week until next year, the employers dropped their key demand for Saturday opening.

The bank dispute gave a taste of what may be to come should the present, much through a national petition. It is also namphileseriage contracts.

is also pamphleteering con-

"There is no need to change Hours in West Germany are shopping times in West controlled by the 30-year-old Germany," insists Mr Eilrich.

Ladenschlussgesetz—the shop "It is not even in the interests closing law which lays down of the consumer."

which got the initiative for a every possibility to avoid a which, unlike the HBV, is not affiliated to the West German trade union movement, is also lobbying hard and concentrating on influencing public opinion. "In the end, it is a question for the politicians to decide," says Mr Schvope.

The HBV, is also concentrating ca persuasion for the time being and heavily stressing the social costs of longer hours. It denies that longer opening could lead to more jobs and better pay for those prepared to work. Instead, it stresses the position of the large number of female shop workers it repre-sents, who often have families and could not work longer

By broadening your scope of opportunities, we make

alternatives that best suit you.

it easier to choose the

Open country.

hours even if they wanted to. More important, the union is anxious that its members should not lose existing social benefits if shopping hours are

Shoppers, he argues, will altered. No one actually uses ultimately lose out because of the word "immigrant," but it higher prices as stores try to make up for the cost of later union speaks of a potentially union speaks of a potentially large pool of workers in West Germany who would be ready to take on work its members would not be willing or able to do should shopping hours be

> So the HBV is trying hard to wrest a cast-iron commitment from employers to 6.30 pm closing written into this year's retail sector wage negotiations, which are now taking place

> across the country.
>
> However, as in the banking sector, both the HBV and the DAG are aware that they at least start at a disadvantage. Both unions are operating in areas of traditionally low membership. Unionisation in banking, for example, is acceptable. the 18 per cent national average for office workers, but still only amounts to about 25 per cent

Hence their tactic during the bank strikes of concentrating on sensitive areas like computer and settlements centres, and on

key urban branches, However, neither of the service industry unions feels the political cards are neces-sarily stacked against it. According to the HBV, both Christian Democrat and Christian Social Union politicians have mixed feelings about extending shopping hours, and the union also takes great comfort from the fact that a retail trade association has also come out against a change.

Once the planned legislation is put forward, the political spotlight will shift to Bonn, where the lobbying is already building up.

# W German navy ship hit by shells

was accidentally hit early yesterday by artillery shells

yesterday by artillery shells from a Warsaw Pact vessel in the Baltic Sea, Reuter reports from Bonn. Three sailors were injured, the Defence Ministry said.

The Neckar, a navy supply and support ship, was struck while observing Warsaw Pact exercises during which pilotless drones launched from shore were shot at from East bloc ships, the ministry said.

It said West Germany bebioc ships, the ministry said.
It said West Germany believed the incident was accidental and the injured were being flown back to West Germany by helicopter.
It was not immediately clear which country owned the ship which fired the five shots, but it was thought they

shots, but it was thought they had come from a Polish

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# **RONCAGLIA OPR FLOUR MILLS** THE KEY TO PROFIT

Roncaclia OPR Flour Mills

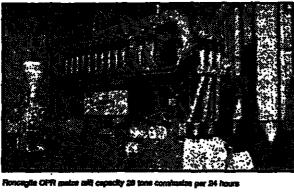
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ghout the nation allows national self-sufficiency

duals or cooperatives, with the installation of

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**RATIONALISATION:** WITH SPACE AGE TECHNOLOGY RON-Roncaglia OPR flour

mills have rationalised the processing of grains (wheat, maize/corn, oat, barley, ri-ce, rye, sorghum, millet etc.) into flour and drastically cut initial investment costs. The Roncaglia OPR

mill goes everywhere and, thanks to its own generator, even where public facilities are almost absent even where there is no electricity. Its modular design means it can be adap-

The investment for the glia OPR flour mill is the lowest possible tometres high is enough



nology, valid because advan-

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# **EUROPEAN NEWS**

PARIS PUBLIC SERVICE INITIATIVE

# French unions split on strikes move

TRADE UNIONS yesterday adopted the measures at the tage of the strike's unwere divided in their response
to the French Government's
surprise measures to curb short.

adopted the measures at the tage of the strike's unend of last week, is counting on
popularity, decided to extend
trade union disunity to dispel
the measure to all public
employees.

"worsen the social climate."
Mr Herve de Charette, the
minister for the public service,
employees. surprise measures to curb short, disruptive stoppages in the public services.

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**Terrorist** 

suspects

arrested

Defence Ministry.

of them were charged earlier this month with General Giorgieri's murder. Mr Locusta

was believed to be the terrorist group's remaining leader and the organiser of the murder.

Red Brigades and Prima Linea

1981 kidnapping of Mr Ciro Cirillo, a Neapolitan Christian

The French police have also

industrial nations, and on the meeting in Paris a few weeks earlier of interior ministers.

The Paris meeting agreed to forge links in the fight against

terrorism between the Trevi group of European countries and the US, Japan and Canada.

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Democrat leader.

By George Graham in Paris

The measures adopted by the National Assembly last week on The pro-Socialist CFDT union and the teachers' unions yesterday organised one-hour stoppages and a protest march in Paris but the Communist-led CGT union has called for a day of strikes and protests on Thursday.

Mr Jacques Chirac's Government which unexpectedly the proposal of a private member mean that public employees involved in a stoppage of a few hours will lose the equivalent of a whole day's salary. The move was initially aimed at the air controllers' strike which yesterday entered its ninth week and has been disrupting traffic at French airports. But

In doing so, it reversed legislation put through by the Socialists in 1982 which enacted that public employees would only have their pay debited in proportion to the

said that the existing legislation was scandalous because it encouraged wildcat stoppages by a small number of people.

The Government's calculation organised one-hour set and a protest march s but the Communist-led alon has called for a day likes and protests on ay.

acques Chirac's Government, taking advanges of a rew would only have their pay of a whole day's salary. The move was initially aimed at the number of hours they were on air controllers' strike which yesterday entered its ninth week and has been disrupting former Socialist Prime Minister, with its prestige eroded by its own divisions, the risk is that the Government, taking advange of a rew would only have their pay is that the new measure is debited in proportion to the number of hours they were on impede the trade unions former Socialist Prime Minister, with its prestige eroded by its own divisions, the risk is that the only of a whole day's salary. The move was initially aimed at the number of hours they were on impede the trade unions form a major confrontation. But yesterday said that the only of a whole day's salary. The move was initially aimed at the number of hours they were on impede the trade unions form a major confrontation. But yesterday said that the only of a whole day's salary. The move was initially aimed at the number of hours they were on impede the trade unions former Socialist Prime Minister, with its prestige eroded by its own divisions, the risk is that the new measure is debited in proportion to the number of hours they were on impede the trade unions form a major confrontation. But yesterday said that the only of the number of hours they were on impede the risk that the new move was initially aimed at the number of hours they were on impede the trade unions to impede the trade unions is that the new measure is debited in proportion to the number of hours they were on impede the trade unions to impede the trade unions to impede the trade unions is that the new measure is debited in proportion to the number of hours they were on impede the trade unions to impede the trade unions to impede the trade unions is that the new measure is debited in proportion to the number of

Turkey's Prime Minister. Mr

Turget Ozal (right above),

greets his Iranian opposite number, Mr Mir Hosseln

Mosavi, on the latter's arrival

in Ankara yesterday. Iran's

Premier is on a three-day visit to Turkey accompanied

by two senior cabinet mem-bers, the Ministers of Heavy

Industry and Petroleum



# Iran PM's visit touches off public row in Turkey

BY DAVID BARCHARD IN IZMIR

The group had also claimed responsibility for an attack in February on an armoured postal van, in which two policemen were killed, and for a failed assassination attempt last year on a counsellor of the Italian Prime Minister. The four arrests follow the capture last month of three Mr Mir Hossein Mosavi, arrived targets in northern Iraq as it other Italians linked to the in Ankara yesterday at the protects several Kurdish groups start of a top level official visit

Mr Mosavi is accompanied Mr Mosavis decision to break by two senior cabinet ministers, the Ministers for Heavy Industry and Petroleum.

It is understood here that he the secularist founder of The French police have also recently recorded a string of successes against Middle Eastern terrorist networks. They believe they have now arrested those responsible for the wave of bombings which they wave of bombings which they make a dozen people in Paris

The French police have also lets, the first and people in did industry and Petroleum.

It is understood here that he secularist discussed trade and regional modern Turkey. A Foreign I will be successed trade and regional modern Turkey. The situation in the Gulf and over the issue.

displeased by repeated Turkish custody, writes AP.

fighting against Baghdad. terrorist groups. They included which has sparked off a serious of a number of murders in the Naples region as well as of the 1981 kidnapping of Mr Ciro (Sistile a Neppolitan Christian). We Mosavi is prosumented by the Turkish Government. However, Turkish public opinion has been outraged by Mr Mosavi is prosumented.

discussed trade and regional modern Turkey.

Issues with the Turkish Prime A Foreign Ministry official

Minister, Mr Turgut Ozal, when told local journalists that
they met yesterday.

Turkey had to be "a bit elastic"

in northern Iraq is also believed 
Six self-professed left-wing The latest arrest of Italian terrorists is seen in Paris as a seal on the agreement of last a seal on the agreement of last to have come with both Iran and bank in Amsterdam for three terrorists in the latest arrest of Italian to have come up during the Turkish dissidents yesterday occupied an office of a Turkish relations with both Iran and bank in Amsterdam for three week's summit meeting in Iraq and neutrality in the eight-hours in protest at the alleged Venice of leaders of the major year-old war between them. But deaths in 1984 of four comrades year-old war between them. But deaths in 1984 of four comrades Iran is understood to have been while in Turkish government

# **Ankara's EC application** linked to Cyprus solution

for the first time publicly linked Turkey's application for European Community membership to a solution of the Cyprus problem, it became clear yester-

day. Dr Homer Habibis, president of the National Federation of of the National Federation of Cypriots in Britain, disclosed the text of a letter sent to him on June 2 by Mrs Margaret Thatcher's office in reply to questions he had sent to her.

"With other member states," the letter said, "we shall make sure that consideration of Turboy's application takes 4.11 key's application takes full account of all the factors relating not only to Turkey itself but to its relations with every Community country" (ie including Greece) "and third lem and relations with Greece.

THE BRITISH government has countries" (ie including

Identical language was used by Mr Norman Tebbit, chair-man of the Conservative Party and by Mr Tim Eggar, a junior minister in the Foreign and Commonwealth Office, in reply to a questionnaire sent to con-didates by the Cyprus Action-Group, a pro-Greek lobby. Sir Geoffrey Howe, the Foreign Secretary, said at the time of Turkey's application, ir April, that Turkey would nee to make further progress or human rights before it couls' be accepted as a full EC mem-ber. But this is believed to be the first time British minis-ters have liked the application

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# Lawson hint on **EMS** entry for pound

MR NIGEL LAWSON, the British Chancellor of the Exchequer, yesterday allowed the faintest glimmer of hope to glow that sterling will be brought into the exchange rate mechanism of the European Monetary System in the coming

He refused to give his fellow mance ministers any clear com-mitment on such a move, but agreed that the debate was now "more open" in the wake of last week's general election in

would have been far too compli-cated to consider in front of an election," he said. 'Once that is out of the way, it becomes something that we can consider on its merits — but that is the only change."

The rest of the EC finance ministers now accept that it is ministers now accept that it is simply a matter of waiting for the British government in general—and Mrs Margaret Thatcher in particular—to change its mind on sterling membership of the EMS, and nobody tried to embarrass Mr Lawron on the subject vector. Lawson on the subject yester-

The move is regarded as the major uncompleted step in a reinforcement of the system currently under discussion.

Later Mr Lawson warned hat "a number of political and technical matters remain to be sorted out" before such

Other measures to reinforce the system—such as greater use of intramarginal intervention between currency floors. between currency floors and cellings, more co-ordination of domestic interest rates, and greater use of economic "convergence indicators"—are still vergence indicators. The consumer products. The campaign will be weltary committee, and the central bank governors' committee.

# Bonn takes aim at France's short-range nuclear missiles

BY DAVID MARSH IN BONN

is making clear that it would like to see limits on French tactical nuclear missiles associated with an eventual deal over reducing short-range US and Soviet missiles in Europe.

This emerged in Bonn yesterday as officials welcomed the Nato ministerial meeting in Reylkavik at the end of last week. This came up with a possible mechanism for reducing arsenals of missiles of under 500 km range which particularly worry the Bonn Government as most of them would expression of them would expression on West Germany.

Anxiety over the missiles—known in French military parlarly worry the Bonn Government as most of them would expression of them would expression on West Germany.

Anxiety over the missiles—known in French military parlarly worry the Bonn Government as most of them would expression of the event of the

THE West German Government Germany in the event of the Soviet Union — remains in spite of an agreement in 1985 is making clear that it would nuclear conflict.

# Sony in EC guarantee offer

BY WILLIAM DAWKINS

tees for its products, the European Commission said yester-

The move is the start of a campaign by the Brussels authorities to persuade more multinationals to offer product guarantees that are equally valid in all 12 member-states.

The Commission demanded that tor of Swatches in Belgium Sony offer such a guarantee as a condition for granting the company's distribution networks exemption from EC com-petion restrictions.

paring to put similar pressure on another 20 or so EC based multinationals, mostly sup-

only guaranteed against failure in one member state.

"We have a policy of clean-

European Court decision 18 months ago against a distributor of Swatches in Belgium which had argued unsuccessfully that guarantees were only valid when issued by registered agents in Belgium.

contributing to its attempts to create a genuine internal market by 1992.

such guarantees. However, its e practically all distribution or techn dealership networks have to get law.

SONY, the Japanese producer vociferously in the past about special Commission clearance of consumer electronics, has products that are available from Article 85 of the Treaty agred to offer EC-wide guaranthroughout the Community but of Rome—the source of EC law from Article 85 of the Treaty of Rome—the source of EC law —which forbids market sharing likely to distort free competi-

The Commission regards ECwide guarantees as a key part of encouraging the free move-ment of goods and hence

There are no specific Community regulations stipulating that all companies should offer

One of the let-out clauses to Article 85 says that market sharing can be allowed so long as consumers get "a fair share of the resulting benefit." The Commission argued that providing guarantees valid through-out the EC was the only way to provide that benefit, an approach they are likely to use

to come under the spotlight.

Officials stressed that only minor changes had to be made to Sony's original plans in order to gain exemption from com-petition regulations for its dealerships. However, if Sony or any of the other companies due for investigation — refused to comply, the Commission would have the right to declare its entire EC dealer network technically against Community

**ADVERTISEMENT** 

### INSIDE CORPORATE STRATEGY

Unitas

# The Market Matures

" What we're seeing is nothing less than a change in the whole financing structure of the economy of Finland," says Juhani Erma of Unitas.

"The capital markets are being deregulated, a number of companies are now very attractive investment objects, and the government apparently has the political will to tackle the tax problem."

By Patrick Humphreys, Nordic Com



As managing director of Finland's leading firm of brokers, Juhani Erma sees reason to be optimistic. Unitas' research and analysis is in growing demand from major investors at home and abroad.

"Unitas was set up by the Union Bank of Finland because we could see these changes coming," he says. "At the start of 1986, our parent company transferred all employees involved directly in trading to Unitas. Unitas became Finland's largest broking firm overnight."

Although Unitas handles brokerage for a wide range of investors, its research and information services are designed to meet the needs of large clients with large portfolios. As for foreign clients: some contact us directly and some are put in touch with us by overseas branches of the Union Bank, for example in London. Their numbers have varied greatly over the years. Now overseas interest is on the rise again."

Booming Helsinki Exchange

The interest is understandable. The Unitas index of quoted Finnish stock rose 65% last year, making Helsinki the world's second fastest rising exchange after Madrid. The tempo of trading picked up sharply, and the total

Share price

development

Unitas

general

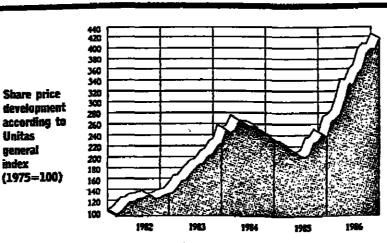
value of business trebled. The boom has continued this year, bringing the improvement in price rises over the last 18 months to an average 100%.

" Foreign investment has been one element in this," Erma confirms. " But the other very significant cause has been greater activity on the part of domestic investors, largely because of changes in taxation. To avoid capital gains tax it used to be normal in Finland to invest for a full five years, and this has kept down the number of trades. Now companies with abundant liquidity are buying and selling shares all the time."

The new volume of business has created problems for the exchange. "We still use oldfashioned share certificates and the brokers' systems just aren't built for such a large turnover. All these small orders are overwhelming the system. Customers have had to wait too long for settlement of trades."

to create a paperless system "and that will take at least a couple of years. Also I'm afraid brokers will not be prepared to begin planning and training for the new technology before they know what form the law is going to take, so it could be as long as 5 years before we have the new system ready and working."

New legislation will be needed



# More free shares available

Part of the problem will be solved this year, though, when stock exchange information is available electronically.

For detailed background information investors will still come to Unitas. "When foreign interest in Finnish shares flared up in the early 80's, companies and brokers were not prepared for it. The situation has improved very much in the past 2-3 years.

with each other, but generally buying from Finland and selling back here again. It has also been a problem for Finnish companies that their non-restricted equity is bought and sold in such large blocks. With new free share issues now possible, the market will become better developed."

Tax legislation continues to play an undue role in the Finnish share market. Erma blames doubts about the taxable value of OTC shares as one of the main



Share lessee arranged in 1986 for the following companies: Asko Oy, Finvest Oy, Fiskars Oy Ab, Kymmene-Strömberg Corp, Oy Kyro Ab, Lounzis-Suomen Sähkö-Osakeyhtiö, Oy Länsi-Suomi, Oy Sisu-Auto Ab, Spontel Oy, Oy Stockmann Ab, Union Bank of Finland Ltd, Tamfelt Oy Ab, Oy Tampelia Ab, Oy Terrassilvana Ab, Tietotehdas Oy, Tukku Oy, Valtameri Osakeyintiö

> Share-Issues managed in 1986 for: Instrumentarium Corporation, MTV Oy, Nokia Corporation, Savonlinna Opera Festival Ltd.

Now there's a wealth of surveys and information available." The recent relaxation of rules

on foreign investment should give a new boost to the market. Finnish companies, previously required to restrict the ownership of four-fifths of total share capital to Finnish nationals, may now apply for permission to raise their proportion of non-restricted, or "free", shares to

" I'm sure they will take advantage of this new law," says Juhani Erma, "and that's going to be very good for Unitas. It also means that the free share market is going to grow. At present it is rather thin in many shares and some free shares have been very hard to get if you did not buy them when they were issued."

"So far the free shares available have been mainly concentrated in a few hands. Foreign investors have not been trading reasons for the slow development of the over-the-counter market. Another distorting influence is the tax-free status of government bonds and some bank deposits.

" It's clear that the new government is interested in tackling a whole range of tax questions. Some of the problems we can live with, but there is obviously political will to bring the tax system up to date." At the same time that foreign

investors, individual and institutional, are turning to the Finnish market, the Finns themselves are discovering equity investment. Currently about 15% of the population own shares. " Our economy is going through a phase of securitization. More and more companies are seeking equity financing and many are very attractive investment objects at this time. It's a rising market and Unitas is well placed to remain the market leader."

Financial Times Ltd, 1987.

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BANK FOR INTERNATIONAL SETTLEMENTS-ANNUAL REPORT

# Rapid fiscal action urged on three leading industrial nations

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

West Germany is issued today by the Bank for International Settlements.

The annual report of the Basle-based BIS strikes an altogether more sombre tone than the relatively satisfied reviews of the world economy which it has contained over the past

two years.
"There is danger ahead, and it must be averted by flexible policy adjustment," it says. The onus is on fiscal policy, since monetary measures can play only a limited role, argues the Bank, which is owned by the world's main central banks.

AN URGENT plea for provoked protectionism and the heightened coordination between the economic policycast a shadow over growth and makers of the US, Japan and investment in the industrialised world and over the ability of developing countries to grow out of their debt problems.

cause new disruptions in financial markets and a renewed fall by the dollar with highly damaging consequences. "It would push up prices and interest rates in the US and slow down growth in Japan and western Europe even further, with dismal prospects for employ-ment in the industrial world."

In language which, for central bankers, could scarcely be more blunt, the BIS says: "Anyone who might be tempted to ignore The danger comes from the who might be tempted to ignore the grounds accounts of the three major industrialised countries—the US toward pessimistic conjecture in deficit, and Japan and West should look at developments so the BIS argues, the US argues in the contribution of the three major indeficit, and Japan and West should look at developments so the contribution of the BIS argues, the BIS argues, the contribution of the in deficit, and Japan and West should look at developments so Consequently, the BIS argues, Germany in surplus.

far this year in the capital the three countries must step
The imbalances, it says, have account of the US balance of up fiscal measures soon, even

payments, long-term dollar if this disrupts the attainment dustrialised nations have interest rates, US import prices of medium-term goals. "If stepped up co-operation with and economic activity in the terminant distribution and economic activity in the economic activity and economic activity in the economic activity and economic activity activity and economic activity activity. payments, long-term dollar if this disrupts the attainment dustrialised

ut of their debt problems. "that policy-makers cannot Failure to tackle them would afford to ignore."

mented by fiscal measures.
Moreover, monetary measures,
such as the raising of US
interest rates or lowering rates in Japan and West Germany, could damage developing coun-

one could argue the Agreement of 1985, the Tokyo summit of 1986, the Louvre Accord to establish exchange the daunting task facing task facing the daunting task facing task the currency and financial markets, without causing recession or rekindling US inflation, without compromising medium-term budget or monetary strategies, and without endangering free trade-Compared with the need simply to reduce imbalances, the BIS says: "This is a much more formidable undertaking, and one which, in an in-

more formidable undertaking, and one which, in an increasingly interdependent world, is unlikely to be successful without a relatively high degree of policy co-ordination."

The Bank does acknowledge that steps have been taken in the desired direction. In-

viously set goals.)

Policy co-ordination, however, has stopped short of a framework with a meduim and long-term view, since all sides are hesitant to make commitments with uncertain implications.

"In the absence of such a framework policy co-ordination

framework, policy co-ordination is in danger of remaining essentially a short-term exeressentially a short-term exercise in situations of near-crisis,
based on a rather simplified
model of the interaction
between the economies concerned or, even worse, on
different models in the minds
of different governments."

Also on the positive side, the
Bank detects signs that the

values over the past two years is finally working through to reduce the US current account deficit and the surpluses of Japan and West Germany. "Further real adjustment is certainly in the pipeline."

Though the BIS says the burden of responsibility is on governments, a further positive note is its acknowledgement that the three governments concerned have already taken fiscal steps towards the desired end. The US budget deficit appears to be coming under control, West Germany has brought for-ward some tax relief, and Japan has announced packages

to stimulate domestic demand The BIS also admits that all three can argue that a speeding up of the process would jeopardise longer-term goals, such as by forcing tax increases in the US. It also recognises the possibility that the forcing law increases in the US.

have massive adjustment in currency may suddenly recognise that with values over the past two years both external balances and domestic fiscal stances have begun to adjust.

> But with a starkness border ing on desperation, the BIS asks: "What if they do not? Or what if they do not regard as sufficient the adjustment they see in both areas?

Governments must recognise it says, that the international financial integration which they have been promoting curtails the independence of their domestic policies. They must therefore guide the markets with one voice and greater con-

Further fiscal measures now, the Bank argues, despite their domestic inconvenience, may be less troublesome than the measures which they would have to take later if the US current account deficit remained too large to be financed by sainted south

# Baker principles on debt 'still valid'

DESPITE the setback in solution of the international developing country debt problems over the past year, the principles of the US-sponsored Baker Plen remain valid, the BIS says.

Debtor countries will only resolve their current problems and their creditworthiness through policies which permit diversified, export oriented growth of their economies.

External financing will be required both from official and private sources. It should include long-term borrowing linked to domestic investment projects, and debtors should also encourage more risk capital to limit rises in their

Industrial countries, meanwhile, must promote structural adjustments in their economies so that there is room for manufacturing and agricultural imports from debtor countries. The BIS notes that this is not easy given agricultural lobbies and high unemployment, especially in times of weak economic growth.

"But no market-oriented

debt situation will be possible unless the debtor countries' structural adjustment towards export-led growth is paralleled by a corresponding adjustment of economic structures in the industrial countries,"

The deterioration in balance of payments of the heavily indebted countries covered by the Baker Plan was due to a combination of weak Export-led growth is achievable, but will take time, it says.

Export-led growth is achievable, from material prices and economic mismanagement. mic mismanagement.

> The bank does, however, note some advances in dealing with the debt problem. Interest margins on reschedulings have been reduced, and both dollar interest rates and the dollar itself have fallen, reducing the debt burden and increasing some countries competitiveness. The World Bank has stepped up its role. Commercial banks have improved their ability to withstand losses.

Though the BIS sees familiar signs of fatigue in banks' growing reluctance to take part in new lending, it also notes more recent steps, including the introduction of exit vehicles. This indicates a more pragmatic

# Poles fly to West without detection

By Leslie Colitt in Berlin

THE FLIGHT of two young Poles in a light aircraft to Tempelhof US air base in West Berlin yesterday has underscored the ability of pilots to evade radar detection and interception by Warsaw Pact air defences.

Allied officials in West Berlin said that well before the 19-year-old West German, Mr Mathias Rust, who landed in Moscow's Red Square on May 28, low flying sports aircraft have crossed from East to West and vice versa without incident. The Soviet Defence Minister and the Chief of Soviet Air Defences were relieved of their posts after Mr Rust's solo flight across Soviet territory.

The two Poles, aged 21 and 22, who landed yesterday told US Air Force interrogators that they started from Elblag Airport near Gdansk. The pilot said he flew the Zlin 142 at a height of 5-30 metres, low enough to avoid appearing on radar screens.

At no time during the flight was they intercepted by either Polish, East German or Soviet fighters.

Since 1980 59 Poles, including the two who arrived yesterday, have flown to Templehof, several in small low-flying aircraft.

Hijacked Polish airliners which flew at normal altitude on the other hand, were tracked by Warsaw Pact radar and, in several cases, buzzed by fighters. But no serious attempt was made to force them to land because of the dancer to passenger. danger to passengers.

Sports aircraft flying low from West to East across Warsaw Pact air defences have also made frequent flights without detection. In the late 1970s and early 1980s a West German and an Ameri-can landed their light aircraft several times in Czechoslovak forest clearings near the Bayarian border. They picked up escapees and flew back to Bayaria without detection but were finally grounded in the West for illegal activities.

# Currency swings put economic bright spots in shade

the dollar's steep decline over

it also takes encouragement from recent movements.

of that order of magniture must

the US to recapture market

difficult and lengthy process for inflation.

ing exchange rates prompted by the BIS says.

the past two years, finds a "There can be little doubt that number of negative effects. But the displacement of factors of

Over the past ten years, it entails serious economic and notes, there have been indivisocial costs and gives a strong dual real appreciations of as impetus to protectionist much as 100 per cent. "Swings pressure."

play havoc with the allocative by several features of the role of price mechanisms," it dollar's fall. Despite its speed,

says. it has not got out of control.
The dollar's rise between From the point of view of

most observers were confident enough to predict."

weakened further this year, the currencies, causing cuts in capital investment spending.

THE BIS, in a review of float- shares than it was to lose them, ance of a vicious circle of

The Bank also remarks:

the displacement of factors of production caused by major dis-

tortions in real exchange cates

However, the BIS is heartened

1981 and 1985 was a key factor in the build-up of the US current account deficit and Japan's undesirably large surplus. Although this overvaluation has been corrected, it is a far more out a major resurgence of US monetary policy. And it took place with-difficult and large the argument of the World is particularly difficult, the BIS says, when current account imbalances are large and react slowly to exchange rate changes, and when globalisation of financial markets has increased the volume of internationally making by com-

"It is this successful avoid- parison with trade flows.

Caution over floating rates

depreciation and inflation which may give grounds for hoping that the imbalances and mal-adjustments that had resulted

from the exaggerated apprecia-tion of the dollar during the

early years of this decade can

ultimately be corrected without

excessive damage to the stability of the world economy."

The satisfactory functioning of a floating rate system is made

problematical by the difficulty

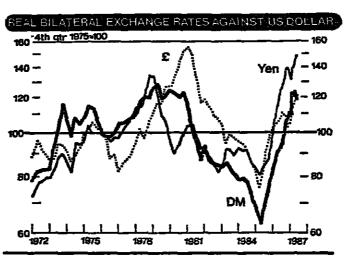
of determining what exchange rates are appropriate. The latter

is particularly difficult, the BIS

nationally mobile funds by com-

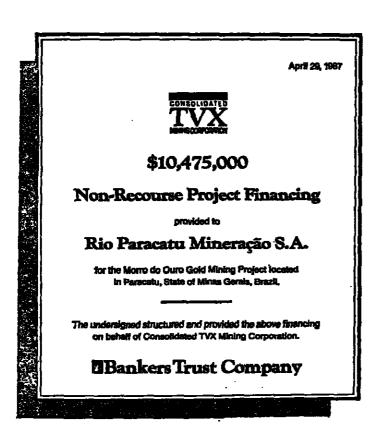
be taken very quickly, but a gloomily.

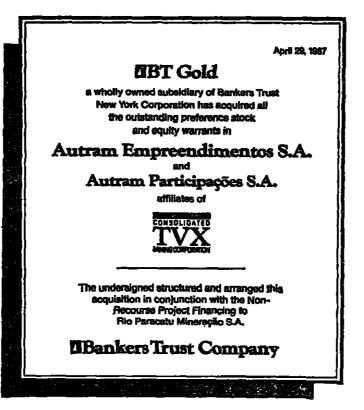
TTS OPTIMISM of last year dashed, the BIS still notes bright spots in the world economy; low inflation, interest and oil prices. However, these were exactly what held out hope for 1986. "Disappoint only 2.5 per cent last year, below out hope for 1986. "Disappoint only 2.5 per cent last year, below they have not given they have not given they have not given they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have not given the already slower 3 per cent last year, below they have have been to the income gains produced by the income gains produced to the income gains produced by the terms of trade. Oil exporters reacted slowly to the income gains produced by the terms of trade. Oil exporters reacted slowly the income gains produced where rapid, major develop. This is reinforced by the desire of trade. Oil exporters reacted slowly the income gains produced where rapid, major develop. This is reinforced by the desire of trade. Oil exporters reacted slowly the income gains produced where rapid, major develop. This is reinforced by the desire of trade. Oil exporters reacted slowly the income gains produced where rapid, major develop. This is reinforced by the desire of trade. Oil exporters reacted slowly in the income gains produced where rapid, major develop. This is reinforced by the desire of trade. Oil exporters reacted slowly the income gains produced where rapid, major develop. This is reinforced by t economy; low inflation, interest deterious energy of exchange or rates and oil prices. However, rate moves. Output growth in the Group of Ten countries rose out hope for 1986. "Disappoint- only 2.5 per cent last year, below current account surpluses boost to economic growth which of 1985, and appears to have demand because of appreciating the control of 1986, and appears to have demand because of appreciating of the control of 1986, and appears to have demand because of appreciating of the control of 1986, and appears to have demand because of appreciating of the control of 1986, and appears to have demand because of appreciating of the control of 1986, and appears to have demand because of appreciating of the control of the contro an investment programme can, and-see attitude," the BIS notes

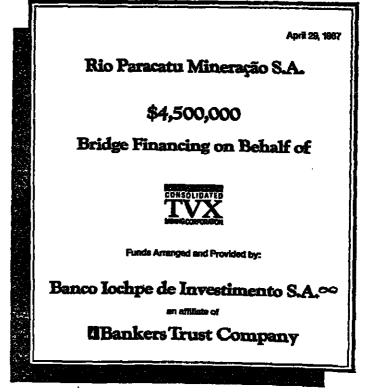


Because markets may be responses," authorities must governed by "mass psychology, give clear guidance about their extrapolative expectations and own exchange rate views and

# Leadership in Latin American Debt-for-Debt and Debt-for-Equity Conversions







# Bankers Trust Company Latin American Merchant Banking

Call for

calm on

**Soweto** 

riot day

# **OVERSEAS NEWS**

# Public feeling grows against Chun regime

of anti-government comment from maids, drivers and other staff who normally do not dis-

cuss politics, especially with their employers.

Market traders and shop-keepers have also been noticed

cheering students in their bat-tles with the police. This

kind of popular participation has not been seen in South

Korea for years.

The significance of public opinion should not be underestimated. The economic development and education level of South Koreans is high, and

or south Koreans is nigh, and the general population is no more likely to take to the streets with guns than, say, Italians or Australians.

But on two previous of governments.
occasions, strong popular feeling has ended in the downfall

The present rise in public feeling sprang first from a speech made by President Chun on April 13 in which he said

that the arguments over con-stitutional revision between the

ruling party and the opposition

suspended until after the 1988

Seoul Olympic Games, Mr Rob.

confirmed that this decision

Analysts believe that although

The Gov simment now face a

As one businessman com-mented: "Whatever happens, I

Westpac and the Institute said. Commenting in the statement, Westpac's chief economist Mr Bob

Graham said the economy was now

performing in accordance with sig-

nals which the leading index first

At that time, the annual rate of growth in the coincident index at 8 per cent was double what it is now, he said.

"However, the pattern of growth

was consumer-led - now it is the net export sector which is setting

• The Australian current ac

count deficit for May could exceed

(\$1bn) for the first time in four

months, compared with an unre-

vised \$996m shortfall for April, maromists polled by Reuters

The Statistics Bureau will release

The Investment Banking Division

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Vice President

Frank R. Packard

Jason So

Associate

began to put out last July.

the pace," he said.

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"WHAT DID you do at the weekend?" a young South Korean stuckbroker working for a major foreign firm was asked yesterday.

"I went down to Myongdong Cathedral and joined in the barman joined in, complaining about the presence of secret police in the hotel, customers in the barman joined in, complaining about the presence of secret police in the hotel, customers in the bar cheered and clapped.

The level of public support for the students besieged until

for the students besieged until yesterday by riot police at

Seoul's main Roman Catholic cathedral has been growing since people first spoke out against the Government last The cathedral is surrounded by offices of banks, insurance companies and securities firms,

in much the same way as the City surrounds St Paul's Cathedral. For days, the area has been shrouded in tear gas as police attempted to subdue stonethrowing students. Work has slowed as clerks take advant-

slowed as cieres take and age of the bird's eye view from their upper-floor windows to obevents and report to friends in other parts of town. In the lunch hour, they have the police withdrew in a show of leniency to encourage the students to give up, more than 10,000 office workers made their way to the cathedral, shouting slogans and singing the national

> It was the election of President Chun Doo Hwan's successor, Mr Roh Tae Woo, as presidential candidate at the could cause instability and that the talks would therefore be ruling party's national convention last Wednesday, that sparked the present trouble. "I can't stand the idea of ancould not be changed. other seven years of this govern-

the Government has always been ment," said one office worker. The feeling that now is the time to push for democracy seems quite widespread. One Korean-speaking foreigner was unpopular, the promise of democracy held out by the talks had previously been enough to convince people that progress was being made. Now public anger is far more amazed when the customers in a coffee shop at a major downtown hotel stood up and sang palpable. the national anthem, as opposi-tion leaders had asked, at 6 pm United 1

At the same time, motorists in the city centre blew their car horns for more than 20 minutes, driving home the point that they too were in favour of

democracy.

A group of businessmen later to win out." History would that day started to complain suggest his confidence is well that day started to complain suggest in a bar at another downtown placed.

THE LEADING index of Australian

economic activity continued the upward trend of the previous seven

months in March, Westpac Bank

and the Melbourne Institute of Ap-

plied Economic and Social Re-

search reported yesterday, Reuter reports from Melbourne. Their leading index rose to 124.0

(base 1980) in March from 122,2 in

111.3 a year earlier, they said in a

ebruary (revised from 121.4) and

Annualised, the index rose 12 per

cent in March, against an 11 per cent rise in February and a 4 per

cent fall in March 1986, based on

the ratio of the latest index to the

average over the previous 12

Annual growth in the coincident index was 4 per cent in March, the same as in February, compared

with a 6 per cent rise a year earlier, the figures today.

**Australian economy** 

shows firmer trend

to keep bargain, say Africans

affluent nations yesterday of failing to keep a bargain and match the continent's painful efforts to put its economic house in order with help over its debts, Reuter reports from Abuja, Nigeria.

A conference on the economic light of the African nations heard Presidents Ibrahim Babangida of Nigeria and Denis Sassou-N'guesso of Congo plead for help in alleviating a debt burden of \$175bn (£109bn)

meeting, organised by the meeting, organised by the Economic Commission for Africa, by Miss Monique Landry, Canada's Minister of External Relations.

"Whether we look at aid or debt or trade, the rich countries have not as yet lived up to their part of last year's economic recovery pact," she said. Presidents Babangida and Sassou-N'guesso wanted the debts of the very poor written off, and repayment and grace terms to be eased. President Babangida said

Africa's debt service ratio was agonisingly high." It was unrealistic to expect any country to spend more than 30 per cent of its earnings on debt servicing—particularly in Africa where world prices for key

Japan 'pressed over Y6.000bn package'

THE JAPANESE Government THE JAPANESE Government might not have introduced its recent Y6,000bn (£18hn) stimulation package, had it not been for pressure from foreign governments, Mr Toyoo Gychten, Vice Minister of Finance for international affairs, suggested yesterday. There was no real need for the package, he implied. number of difficult challenges in the weeks ahead, even though it has managed to end the student siege without he implied.

The economy was already beginning to recover, and the Government was becoming "seriously concerned" about bottlenecks developing in the bottlenecks developing in the supply of labour and raw materials. The Government remained anxious about its deficit, which will have to rise to finance part of the package. It was hypothetical to speculate what would have happened if there had been no pressure from foreign governments for a package. But he thought that the Japanese Government would have proceeded with its former policy of fiscal consolidation.

Foreign governments have been pressing Japan to stimulate domestic demand as a means of reducing its large trade surpluses. They hope a strong domestic economy will draw in imports and encourage

trate more on home markets. Many private-sector econ mists expect internal demand to grow by about 4 per cent in the current fiscal year to March 31,

overseas trade.

The Government would press ahead in July with the supplementary budget to finance its

# West fails

AFRICAN leaders accused

They were backed at the

commodity exports were unstable.

By lan Rodger in Tokyo

Japanese companies to concer

1988, partly as a result of the package.

Overall economic growth will be significantly lower because of the declining contribution from

Y2,800bn share of the package, and no opposition to it was expected, he added.

SOUTH AFRICAN MEASURE TO BREAK BLACK RENT STRIKE HITS OPPOSITION

# Concern over call to dock pay

BUSINESSES in South Africa "US companies are already under ment says R271m (\$135m) is owed anti-apartheid protest, said the

burg. which represents mo
The Government said last week it nies in South Africa. was introducing a law to make com- "We will do everything in our

Businessmen said the measure, if implemented, would increase pres-

Sunday that it was considering a pullout, which would make it the latest of several multinational corporations to abandon South Africa. Businessmen said that by getting them to dock the rent arrears, rather like the way companies collect income tax as "Pay As You Earn" in many nations, the Government They reject government-appoint-could set off a backlash from milit-ed town councils which are trying

voiced alarm yesterday about a govenormous strain over their opera-ernment plan to get them to collect, tions in South Africa and anything from pay packets, the arrears of negative like this just adds to the black workers who are refusing to pressure to disinvest," said Mr Adrisettle their rent on their state hous- an Botha, executive director of the ing, Renter reports from Johannes- American Chamber of Commerce. which represents most US compa-

panies dock employees' pay for out-standing rent. It seeks to break a protest "rent strike" by about 3m would again drag us into the political arena which is fraught with danger for us," he said.

sure on foreign corporations to get out of South Africa.

The Government plan statement wo weeks after US civil rights leader Mr Leon Sullivan called for total er Mr Leon Sullivan called for total on the withdrawal of US sanctions and the withdrawal of US

Blacks over the past year have refused to pay rents and other charges on state-owned homes as part of a campaign seeking the end of a state of emergency and release of detainees.

They reject government-appoint-

in rent arrears.

"The people believe the Government increases rents every year just to buy guns to kill us," said Mrs Albertina Sisulu, a leader of the anti-apartheid United Democratic Front, who lives in Johannesburg's Soweto township.

"We never see any improvements in conditions in the townships and now the Government wants to interfere with the salaries of the people which are already too low," she

"The boycott is very much a political issue with blacks," said Mr Vincent Brett, manpower director of the Association of Chambers of Commerce. If the employer is dragged into the middle, he is going to be faced with the law on the one hand and demands from workers and threats of strikes on the other.

There is little doubt that this will spill over into more industrial un-

Government should not proceed

"It's going to trigger big industri-al action," said Mr Frank Meintjies, Trade Unions (Cosatu).

"The rent boycott is a crisis that reflects the failure of the Government's policies. To transfer this issue into the field of labour relations just compounds the problem," be

tional Affairs Minister, said at the weekend he was contemplating measures to relieve the plight of tenants with low incomes who occupy state-financed housing."

ed the best way out of the crisis would be for companies to increase black employees wages so they Black trade unions, organisers of could afford to pay the rent backlog.

with the plan.

**BLACK YOUTH organisations and** publicity secretary of the 600,000pundency secretary of the voc.out pundency secretary of the voc.out punden the anniversary of the 1976 Soweto riots, a day that is usually marked

by nationwide work stayaways and conflicts with police, AP reports from Johannesburg.

The groups deny that they have called for a work stayaway, but many black township councils have Mr Chris Heunis, the Constitudeclared they will shut down and major employers have given their black workers the day off as a holi-

multaneously announced an increase in service charged in Same

Soweto's town clerk has suggest-

the United Democratic Front, the nation's largest anti-apartheid coal-Rallies have been scheduled in the townships and church services have been planned, but the organisers are not publicly announcing the venues until the last minute. The leaders of many of the groups are in hiding for fear of emergency detention, and they have issued their plans through pamphiets dis-

day. The mines, which employ 600,000 blacks, have said any em-

prayer, and for the Government to declare it a non-working day," said

Mr Archie Gumede, co-president of

tributed in the townships. Police have said they would guard trains and bus stations to wants to go to work. None of the anti-apartheid organisations has made an actual call for a stayaway,

Black bus drivers and taxi-van operators generally observe June 16 as a holiday, affecting hundreds of thousands of black commuters who cannot get to work.

Black schools are in the middle of winter holidays, so youths are expected to be active in commemmo-rating what Government opponents call South African Youth Day.

# Agreement reached on relief aid for Tamils INDIA and Sri Lanka yesterday "humanitarian relief supplies" from

reached agreement on the proce- the south Indian port of Rameswardures involved in sending relief an was turned back by the Sri Lan-

when India deliberately violated Sri agreed to this, Lankan air space by sending five After prolonged discussions, it AN-32 aircraft escorted by four so-phisticated Mirage 2000 fighters to Delhi and Colombo had agreed that air-drop the relief supplies over the relief supplies would be sent by

supplies from India to what an official Indian spokesman called the "long-suffering" Tamils in Jaffna tility has existed between India and and other parts of northern Sri Lan- Sri Lanka as New Delhi has been insisting on its right to send more Relations between the countries supplies to the Tamils. The Sri Landeteriorated sharply a fortnight ago kan Government had initially

Indian vessels to Kankesanthurai, The air drop was decided on after on the northern coast of the penina flotilla of 20 boats carrying the sula.

# Sri Lanka - Pakistan talks arouse concern AN UNSCHEDULED (24-hour) tiate the purchase or lease of an air

stop-over in Pakistan by Sri Landefence system. Tamil separatist
ka's National Security Minister Mr groups, which have accused senior Lalith Athulathmudali today has led to intense speculation in diplolinks with Pakistan. The major opposition party has sounded a warning about "regionalising" the ismilitary assistance from Pakistan.
land's conflict.

The these reports are correct, the

Mr Athulathmudali was scheduled to visit Europe and the US offi-cial sources said he stopped over in kistan proxy war," said a spokesdene to General Zia Ul Hug. to Sri Lanka, has trained officers
The minister has denied Indian and servicemen who have regularly

reports that he was hoping to nego-gone in batches to Pakistan,

Pakistani military advisers of helping plan the recent military offenmatic circles about strengthening sive in the island's northern peninsula, claimed that the Sri Lankan Government is seeking large-scale "If these reports are correct, the Government may convert the island

Pakistan to deliver "an important man for the former Prime Minister, message" from President Jayawar-Pakistan, a major arms supplier Pakistan, a major arms supplier

-THE - PORTLAND . MANCHESTER.

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And that was just the eggs."

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presented breakfast can do much to ensure a most satisfactory conclusion to your business discussions.

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By Peter Ford

BANKS AND most businesses in Panama City returned to normal yesterday after last week's disturbances that shut

down much of Panama's capital.
The return to normality
appeared to herald the end of a business-led strike demanding the resignation of Panamanian armed forces chief, General Manuel Antonio Noriega.

Leaders of the anti-government "National Civic Crusade." however, said they hoped people would leave their workplaces in the afternoon after collecting their fortnightly pay packets

The banks' decision not to heed the strike call has deprived the protest of much its strength, but was not

"All the foreign banks were very keen to keep working because of the international consequences image - wise, said one foreign banker.

The Government warned over the weekend that businesses staying closed yesterday would risk a \$250 a day fine until they opened. They would also be obliged to pay their employees even if they their employees even if they were not working.

The civic crusade was launched last week, demanding Noticea's removal, and an investigation into the allegations by a former army officer that the general had ordered the murder of political rivals, and fixed the 1984 elections.

Although central Panama City appeared mostly to be functioning as usual, the authorities were prepared for any trouble, stationing water cannons at a key intersection. The financial district was wracked by rioting last week, until President Eric Delvalle declared a state of emergency on Wednesday night banning public demonstrations.

There have been only small, sporadic clashes between protesters and security force patrols since then.

### Action urged on economic imbalance

Noticeable progress is being made toward reudeing US trade and budget deficit, but Wash-ington and its allies must do more to redress world economic imbalances, Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, said at an economic conference Cannabis has become California's biggest cash crop, worth \$3bn, writes Louise Kehoe in San Francisco

# Drug officers fail to smoke out marijuana growers

tables or grain, but marijuana. this year.

Marijuana growing in the US has been on the rise since the early 1970s when the Government began spraying a herbi-side, Paraquat, on marijuana crops in Mexico. California, with both the climate and the local market for the drug, quickly became the largest pro-

Last year Californian growers

harvested an estimated \$3.1bn worth of marijuans, up from \$2.5bn in 1985. This year the crop value could almost double because of a sharp increase in wholesale price for "North Coast Sinsemilla" — a native Californian variety reputed to be the most potent "pot" in the world, according to a recent survey by the National Organis-ation for the Reform of Maripiuana 1L f3.10 MS Sc T juana Laws (NORML), which favours legalisation of mari-

In contrast, state authorities is resources."

HOPSE for a negotiated settle-

revived by President Oscar Arias of Costa Rica's peace plan

-have been at least tempor-

arily buried under a pile of

declarations and counter-declarations by the region's

The plan, due to have been

discussed at a summit of Central America's five presi-

dents in Guatemala next week,

has been put on hold after first

El Salvador and then Honduras called late last week for the

meeting to be postponed.

The call, by the Reagan
Administration's two closest
allies in the region—which

together will receive a direct

US subvention this fiscal year of over \$1bn-came after last

week's tour of the region by Mr Philip Habib, Mr Reagan's special envoy for Central

As Costa Rica, Guatemala, prepared. and Nicaragua made last ditch Preside

attempts to save the summit, Guatamaia, a US ally who has due to be held on June 25-26 in tried to pursue a policy of so-

Guatemala City. President Jose called "active neutrality" in the

America.

ment in Central America-

BY DAYID GARDNER IN MEXICO CITY

CALIFORNIA'S biggest cash say they have dramatically crop is no longer fruit, vege-reduced marijuana production. We claim a 75 per cent reduc-Despite law enforcement efforts to eradicate the "weed," the state's growers anticipate a bumper crop of the illicit drug this year.

We talk a 10 per of plants tion in the number of plants in the ground since 1983," said a spokesman for the Campaign Against Marijuana Planting," a joint federal, state and local agency programme begun four

> But local law enforcement officers in Humboldt county, at the heart of the so-called Emerald Triangle pot-growing region of Northern California, concede that efforts to eradi-cate the drug have had not been as successful as they had hoped.

"The figures are believable." says Sergeant Frank Burkhart, head of the marijuana eradica-aion team at Humboldt County Sheriff's Department.

"Last year we managed to destroy about 47,000 plants, that is about 50 per cent of the plants that we spotted." Hundreds of thousands of other plants may not have been dedected, he admits. "We have hundreds of diehard growers willing to gamble on not being caught and just five of us out looking for them. The problem

Oscar Arias: irritated by pro-

cedural wrangles

President Vinicio Cerezo of

Arias initiative, four months ago,

been adequately

Finding the "pot farms" is not easy. Most are concealed in the extensive national and state park lands and forests along the California coast. Growers prefer to use public lands because the "owners" of a plot cannot be traced.

Nicaragua, was quoted by agencies as saying that Washington's image would be badly affected "since everyone will think that US influence determination."

mined the collapse of the

President Daniel Ortega of

Nicaragua has called for the

Summit to go shead as planned.
The Sandinista leader's wife,
Mrs Rosario Murillo, reportedly carried a letter to
President Arias over the week-

end urging him to press the other Central American leaders

The Sandinistas have openly accused Washington of sabotag-

ing the peace plan, which among other things would require simultaneous ceasefires

accross the region, thereby neutralising the US-backed Nicaraguan Contra rebels

while peace talks went ahead with "unarmed internal opposi-

tions."
President Arias, just back from a 26-day tour of western

Europe drumming up support

Central America peace hopes fade

four years the efforts of local police and sheriffs have been boosted by federal and state funds and agents attached to the "camp " programme.

day expressing irritation with

the procedural obfuscation which has now covered his

plan, distinguished—unlike the

Contadora group's attempts to

bring peace to the region-by

meeting to meeting like the Contadora group foreign mini-

sters, from beach resort to beach resort," President Arias

Contadora, made up originally of Colombia, Mexico,

Panama and Venezuela, and reinforced by Argentina, Brazil,

was quoted as saying.

regional peace treaty.

reports.

"We can't be going from

its simplicity.

ings, the Camp raiders have now victed become the "enemy."

able. Officials say that last year they found fewer plants, and concluded that there were fewer to find. Others suggest that the plants were still there, but more carefully hidden.

Camp has effectively reduced the growing in Humboldt County, but the growers have just been scattered through a wider region and out of California into Oregon," says Jon Gettman of NORML. "And there is a boom in indoor growing, where the plants cannot be detected from the air.

"The growers have developed new techniques and strategies. They hide plants under trees and bushes, and more and more marijuana is being grown in greenhouses."

Local authorities agree. "Several companies are making a lot of money selling equip-ment and lights to people who cultivate the plants in their living rooms," Sgt Burkhart

Even threats to seize the

terred the pot farmers. Mort-However, the success of the Camp programme in reducing marijuana-growing is questionmake it very difficult for authorities to make good on their threats and the growers know it, law officers complain.

Critics of Camp complain that all it has achieved is to increase the price of mari-juana. In California wholesale prices now range from \$4,000 to \$5,000 per pound, double last year's price.

As the crop becomes more lucrative, there are fears that more people will be tempted to cultivate it.

Demand for the drug is also on the rise, according to NORML. While the US government has estimated that there are 30m marijuana users in the country, NORML says the number has risen to 50m.

Domestic US production of marijuana totalled 13.5m pounds last year, worth \$26.7bn, the group estimates.

"If marijuana were legalised and taxed at the rate of \$35 per ounce on the retail price, the government could raise \$18bn in tax revenues," Mr Gettman

Technically, the conclusions

of both committees could be overturned during the lengthy

drafting process when they go for debate by a fully plenary session of the Assembly.

However, political commen-tators believe that a built-in

# Canadian postmen threaten strikes

By Bernard Sknon in Toronto CANADA'S Progressive Conservative Government faces a major test of strength against 20,000 postmen who are ex-pected to strike from today.

Barring a last-minute peace move, the Letter Carriers' Union has threatened to cripple postal services, beginning with a series of "rotating" strikes in which members in different parts of the country will stop work at short notice.

The dispute centres on demands by the loss-making Canada Post for productivity and job security concessions as part of the state agency's efforts to break even by next year. Canada Post suffered a C\$184m loss in the year to March 31

The notorious inefficiency of Canada's postal service is often blamed on poor labour relations at Canada Post, where an ultra-conservative management is confronted by some of the most stubborn unions in the country. A strike by mail sorters brought postal services to a halt for six weeks in 1981.

The federal government has said it wants to stay out of the latest dispute. But it apparently hopes that a public outery against disruption of postal services will give it an opportunity to score badly-needed political points.

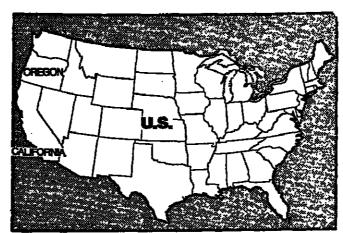
The Government may push

special legislation parliament ordering the letter carriers back to work. Besides the risk of alienating public opinion, the union has no strike

Canada Post has pledged to maintain services despite the action. It has recently hired a large number of casual workers But other postal unions have promised to support the letter carriers. Mr Jean-Claude Parrot, president of the Canadian Union of Postal Workers, said that mail will not move if a strike is called.

### North granted limited immunity

LT COL OLIVER NORTH, the sacked White House aide, was yesterday granted limited immunity from prosecution by a US Federal judge. This clears the way for Congressional investigators to question him later this week about his role in the Iran/Contra scandal.



dispute between the US and for his plan, was quoted yester-

A recent supreme court decision upholding claims of illegal search by a grower whose green-house plants were spied by an airborne patrol will also make

Camp's paramilitary - style

helicopter raids on pot farmers have drawn considerable attention to the drug problem, and are credited with reducing violent crime associated with mari-juana-growing. While growers used to fight among themselves the job more difficult this year. and pot poachers were the tar- Even threats to seize the in tax revenues," Each summer for the past gets of man-traps and shoot- homes and property of con- of NORML argues.

# Brazil proposes boost for workers' rights

REFORMERS IN Brazil's Con- sion has nevertheless come as stitutional Assembly yesterday a relief to foreign banks, approved a major extension of Technically the conclusion workers' and unions' rights but were heavily defeated in their efforts to halt foreign banks from taking deposits in the

The breakthrough for the centre-left in the "social order" committee, currently drafting clauses for Brazil's new constitution, came at 5 am after a night of discussions. In the vote, members unanimously agreed to reduce the working week from 48 hours to 40 hours, and to establish tough new guarantees on job security.

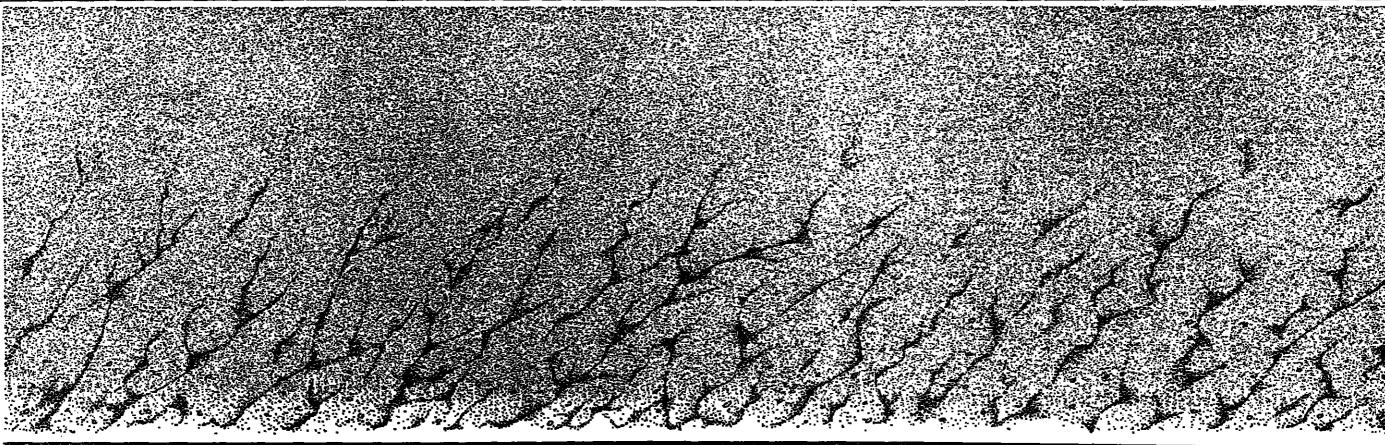
Peru and Uruguay, has tried unsuccessfully for over four years to get the Central These measures had been vigorously opposed by most of American nations to agree on a Honduras authorities are investigating the fatal shooting of an American soldier while on patrol at a US air base AP Sgt Randali Harris, 34, was shot near the front gate of Pal-

centre-right majority will ensure that the decision on banking will almost certainly be upheld in the final draft. There is less certainty that the gains won by trades union lobby will be maintained. Business leaders are expected to mount a campaign to reverse the 40-hour-week and to eliminate provisions that offer

virtual life-long job security But in a parallel financial committee, an attempt by the after two years service.

Nevertheless, the conclusions

Left to prevent foreign banks of the social committee suggest taking deposits from local that the unions' two most of the social committee suggest clients was thrown out by a crucial demands—firm guaran-large majority. While major tees on the right to strike and deposit-takers in Brazil, such as to organise—will now be Citibank and Lloyds, had written into the final docu-expected the outcome, the deci-



# Eurotunnel Reporting. No.1

**2 YEARS OF PROGRESS** 

APRIL 1985. The British and French Governments issue an invitation to promoters to submit bids for

financing, construction and operation of a fixed link across the Channel.

JANUARY 1986. The Channel Tunnel Group and France Manche win the competition.

MARCH 1986. The terms of the concession agreement signed by CTG

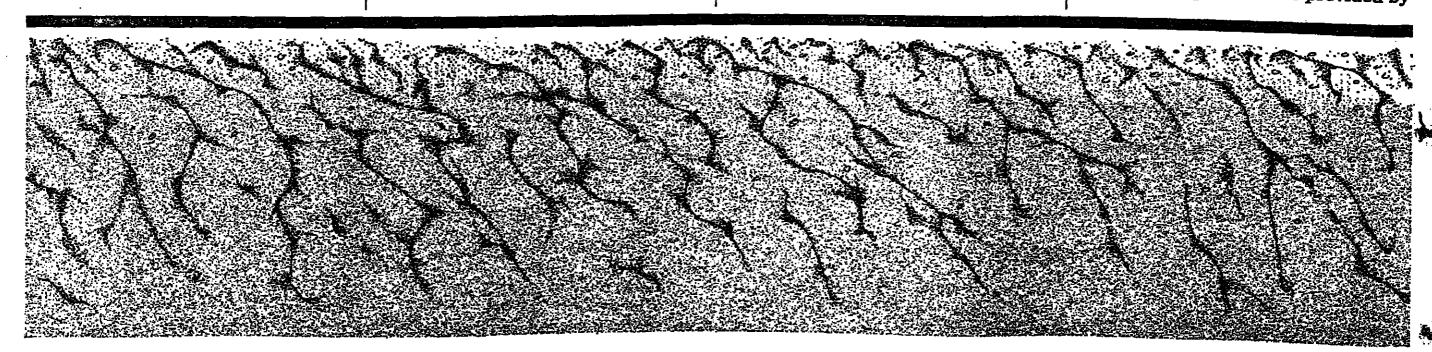
and FM allow for the building and operation of a Tunnel over a 55 year period.

APRIL 1986. The Channel Tunnel Bill is introduced into Parliament.

JUNE 1986. The Bill completes its second reading in the Commons with an overwhelming majority.

AUGUST 1986. Eurotunnel, the partnership between CTG and FM is established to construct and operate the Tunnel. Construction contract signed.

SEPTEMBER 1986. The project's initial funding of £46m is provided by



# WORLD TRADE NEWS

# Bonn seeks to secure Albanian chrome supply

BY DAVID MARSH IN BONN

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WEST GERMANY is hoping to Economics Ministry says. forge diplomatic relations with Albania in a move which would be geared partly to securing supplies of chrome from the Balkan state.

Several years of preparatory talks in Vienna between Bonn and Tirana led this month to a visit by a West German government delegation to prepare the way for an exchange of ambassadors, perhaps later this year. West Germany took 68 per cent of its imports of chrome ore last year from South Africa but is anxious to increase the proportion from the other two main suppliers, Albania and Turkey, to reduce dependence on imports from Pretoria.

Albania has started to move out gradually from its self-imposed post-war isolation and has dropped its previous insist-Albania rose last year 15 per cent to a still negligible
DM 45m, with exports dropping
17 per cent to DM 39m, according to latest Economics Ministry

Control of the rose of the form Czechoclovakia, 7.1 per cent come Czechoclovakia, 7.1 per

In an overall survey of West Germany's East bloc trade, 40 per cent of which is with the Soviet Union, the Ministry says total trade last year fell 13 per cent to DM47.1hn. This made up 5 per cent of the Federal Republic's overall foreign trade. Last year's drop was due to declines in prices for oil, petroleum products and natural gas, as well as currency shortages in East bloc countries and uncertainties over the begin-

ning of the Soviet Union's new five-year plan.

of 1982, West German exports to the has dropped its previous insistence that West Germany should pay more than \$5bn in war 13.6 per cent to Poland, 1.4 per pay more than \$50n in war reparations as a condition for taking up diplomatic relations.

West Germany's imports from Albania rose last year 15 per cent to Czechoslovakia, 2.1 per cent to Hungary, 18.8 per cent to Hungary, 18.8 per cent to Coman Exports to Bulgaria how-

figures. One reason for the extremely low level of trade— cent from Czechoslovakia, 7.1 per extremely low level of trade— cent from Hungary and 14 per West Germany transacts three cent from Bulgaria. Imports times as much with North however rose 5.8 per cent from Korea—is that Albania still China and 4.1 per cent from refuses to take up credits, the Romania.

industries to strengthen the pro-

# Free trade system 'at risk from Japan surpluses'

BY CARLA RAPOPORT IN TOKYO

JAPAN'S PERSISTENT trade devaluation of the dollar. surpluses could result in a loss The report continues: of faith in the free trade system, "Perhaps more than anything according to the Ministry of else, what is needed to reduce International Trade and America's trade deficit is efforts
Industry's White Paper on by the nation's manufacturing international trade.

The paper warns that Japan duction base and raise intermust reduce its current account national competitiveness." surplus, but says that exchange "Rather than taking easy rate adjustments will not do the refuge in protectionism, the UE job alone. The White Paper needs to substantively improve calls on the US to reduce its its industrial competitiveness,"

London By Yoko Shibata in Tokyo and David Thomas in London HITACHI, the Japanese electronics group, is establishing a computer software centre in London to produce software for large workstations and to work on artificial intelligence, one

West German exports to the East bloc, including China, fell 7.3 per cent to DM 25.9bn while imports fell 19.3 per cent to DM 21.1bn, matching the level

# **US** returns to Poznan

into Japan.

POLISH officials welcomed US firms back to a world trade fair at Poznan after a six-year gap as a sign of a thaw in relations, but re-newed their call for help in overcoming Poland's economic crisis, Reuter reports from Warsaw. The US exhibitors, which stayed away in the chill that followed the

up software

centre in

ments in computing.

Many Japanese companies have been criticised in the past

for failing to carry out advanced development work,

such as on computer software,

Mr Atsu Kimura, develop-ment manager of Hitachi's com-

ment manager of Hitachi's computer system group, said the company was planning to develop software in London for the planned launch in Europe next year of part of its workstation range.

This fits into Hitachi's new strategy of exporting computers under its own name. Until now, Hitachi has been selling its large computers in

selling its large computers in Europe under other companies'

Europe under other companies brand names.

Hitachi provides mainframe computers and magnetic discs to Compalex, a joint venture of BASF and Siemens of West Germany, and Olivetti of Italy.

Hitachi wants to collaborate with British universities and

with British universities and research centres on artificial intelligence work, particularly on applications for the financial

sector, and is hoping to import software developed in the UK

declaration of martial law in Poland in 1981, include electronics giant IBM and are among more than 2,000 foreign companies repre-sented in the western Polish city. Polish Prime Minister Zbigniew problem.

The report states.

The report also calls on Miti points out that the US Japan to act for the benefit of is still heavily dependent on imports, despite the heavy up its markets further

"Messner, who attended the opening of the 59th annual Poznan fair, said that the US representation was modest and said: "It is only a beginning."

"Messner, who attended the opening of the 59th annual Poznan fair, said that the US representation was modest and said: "It is only a beginning." Messner, who attended the opening

# Hitachi sets | General Dynamics wins Atlas Centaur backing

use, an investment of about \$100m, China and the Soviet Union.

AP reports from Paris. Three customers have already since an accident in May 1986. Its Atlas Centaur launches, which will late this summer

scientific projects will have priority. failure.

GENERAL DYNAMICS said yester- Commercial satellite launch cusday it will build 18 new Atlas Cen- tomers are being courted by the Eutaur launch vehicles for commercial ropean Ariane rocket programme, The Ariane has been grounded

made reservations for commercial next launch is tentatively set for

begin in 1989, the company said.

Mr Alan Lovelace, General manmercial programme, customers buy ager of the space systems division, the vehicles and the launch services said it is one of the largest single directly from General Dynamics.

commercial space commitments The cost per customer will be about

yet. S59m, the company said.

The US Space Shuttle has been grounded since January 1986, when the Challenger was destroyed. Nasa eral Dynamics offers a package is now aiming for a shuttle launch that includes a guaranteed reflight, in June 1988, but government and at no additional cost, if there is a

built at General Dynamics' space systems division in San Diego, Cali-

They will be launched from Cane Canaveral under an agreement with Nasa, which has used the Atlas Centaur for launches in the

The first production lot of Atlas Centaurs was also 18 vehicles.

The Pratt & Whitney division of United Technologies is the maker of the Centaur engines. Rockwell International manufactures the Atlas engines.

Honeywell and Teledyne make the Centaur avionics equipment.

# Finns enter Soviet joint ventures

airline Finnair and a paint compa- for them in reforms to rejuvenate with the Soviet Union, company of Gorbachev. ficials said yesterday, Reuter re-ports from Helsinki

ports from Helsinki renovating and running of MosThe agreements appear to be the first of their kind since the Soviet authorities said they would wel-

Nuclear power

AN ORDER worth Y30bn (\$208m) to build two nuclear

Campenon Bernard of France, and Huaxing Construction and

Second Bureau of China State

Construction of China with Guangdong Nuclear Power, a

Sino-Hong Kong joint venture

Maeda said in Tokyo that the

two pressurised water reactors

would have a capacity of 900,000 kw each and were scheduled to start operations in

November 1992 and July 1993.

Guangdong plans to sell about 70 per cent of the electricity produced at the plant in

Nissho Iwai and Mitsui

Shenzen to Hong Kong.

company,

order for

Daya Bay

By Our Foreign Staff

ny, have signed joint venture deals the economy under Mr Mikhail have expressed interest in joint Finnair will be involved in the

TWO FINNISH companies, national come joint ventures and set rules Estonia to produce wood-protectant. Several hundred Western firms businesses in the Soviet Union.

# Honda to establish assembly in Vietnam

HONDA Motor will assemble small owned defence and electronics motorcycles in Ho Chi Minh City, group, has turned to China to Vietnam, at a rate of 2,000 units a year in a joint arrangement with a local enterprise co-operative for sales within the country, company

officials said yesterday, AP reports from Tokyo.

The accord was signed recently between a Japanese trading company representing Honda and a group of bicycle and motorcycle manufac logical and microgravity experiturers in the southern Vietnamese

sales within the country, company

city, formerly Saigon.
Although officials declined to specify further details about the type of motorcycle to be assembled, lapanese reports said the motorcy cles will be equipped with 50cc and

70cc engines. Officials said Honda will bring in all necessary components for as-

sembly from Japan. The move is aimed at offsetting a recent strong yen-triggered rise in the prices of Honda motorcycles in Vietnam, an official said.

The yen's sharp appreciation has made Japanese produced motorcycles more expensive.

# Protectionist moves 'lop-sided'

BY PETER MONTAGNON, WORLD TRADE EDITOR

INDUSTRIAL countries con- which takes account of the sidering trade measures to protect specific industrial secprotect specific industrial sectors should set up an inquiry process so that the public can be better informed of the costs and benefits involved, according and benefits involved, according an international rather than at domestic level.

The study by two economists are domestic level.

The study by two economists are domestic level.

The study of a process the transparency of a process that the public can that ironically is usually more such that iro power plants as part of China's \$4bn Daya Bay project has been signed by a consortium of Maeda Construction of Japan,

Unctad, argue that protectionist round. measures are too often taken with scant regard to their overall impact on the national economy. This produces lop-sided benefits for specific groups which may even be detrimental to other exporters. "It is important to find a counterweight to the mismatch of power between the wellorganised few (specific interest groups) and the disparate many

purchasers of intermediate goods)," they say. Public inquiry machinery, Sampson argue.

views of all interested parties, would be a way of increasing

organisations.

Writing in the latest issue of the review of the safeguards
The World Economy, Dr procedure of the General
Samuel Laird of the World Agreement on Tariffs and Trade
Bank and Dr Gary Sampson of now under way in the Uruguay

Under Gatt, countries are allowed to introduced temporary protection for industries suffering serious injury as a result of competition from imports, but it is widely accepted that this is open to distortion

"Insulating producers from the forces of change negates the benefits that could accrue to the community at large as a result of market - led structural change," Dr Laird and Dr

The effects of protection are more pervasive and costly than the public generally perceives,

Arrangement.

Protection accorded to one industry through trade restric-tions or other forms of public assistance, constitutes preferment, not so much over foreign goods as over other domestic interests, and produces a domino effect, they say.

It would be in the better interest of car manufacturers to lobby against steel import restraint which pushes up their raw material costs than press for restrictions against cheap vehicle imports.

The World Economy, published by Basil Blackwell for

the Trade Policy Research Centre, 1, Gough Square, Lon-don EC4A 3DE.

# Matra to use Chinese rocket for projects

By George Graham in Paris

MATRA, the French state-

an agreement to launch two experiments in the next cap-sule to be put into orbit by China's Long March rocket. The launch is expected to take place before the end of 1987, carrying the Matra bio-

ments. The agreement rubs salt in the wounds of the Ariane group,

the wounds of the Ariane group, which has suffered from a string of engine failures. These have caused a long interruption in the series of Ariane launches, which are due to resume in August.

Other satellite launchers, particularly the US space shuttle but also the US private sector launchers using the Delta and Titan rockets, have also

Titan rockets, have also suffered from a number of setbacks over the past year.

Although it is involved in some of the work on the Ariane programme, Matra has also previously worked on manued space flight experiements with both the Soviet Union and the US. Matra is also involved in television and talegrammunications. television and telecommunica-tions satellites.

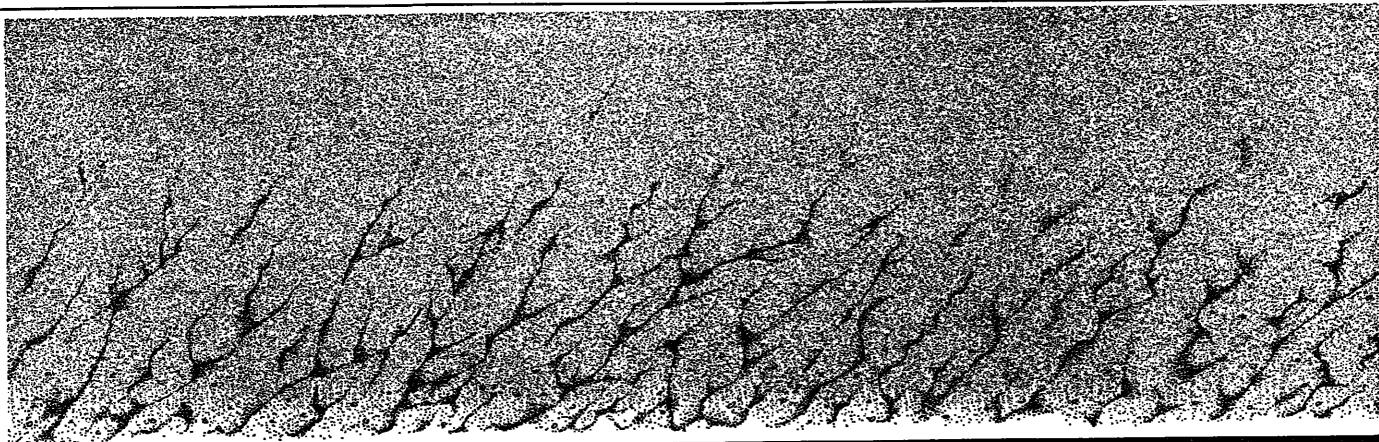
Mr Jean-Luc Lagardere.
Matra's president, said yesterday at the Le Bourget air show near Paris that the group had completed last week a successful test launch of the new Apache air-to-ground missile it has developed jointly with Messerschmitt Bolkow Blohm of West Germany. The missile should be ready for use from

Matra, which is 50.1 per cent owned by the French Govern-ment, is widely expected to be sold off this autumn.

### Rockwell wins \$65m missile contract

ROCKWELL International of the US yesterday said Sweden had placed a \$65m order for its Hellfire missiles system, reports AP from Paris. It is the first foreign sale of the weapon.

The contract calls for the initial sale of 700 of the shore defence anti-ship missiles, the company said at the Paris air.



the founder shareholders.

OCTOBER 1986. A further £206m is raised by a private placing with investors worldwide.

**NOVEMBER 1986.** The Commons Select Committee reports on the Channel Tunnel Bill. At the same time work begins for the manufacture of pre-cast concrete linings on the Isle of Grain.

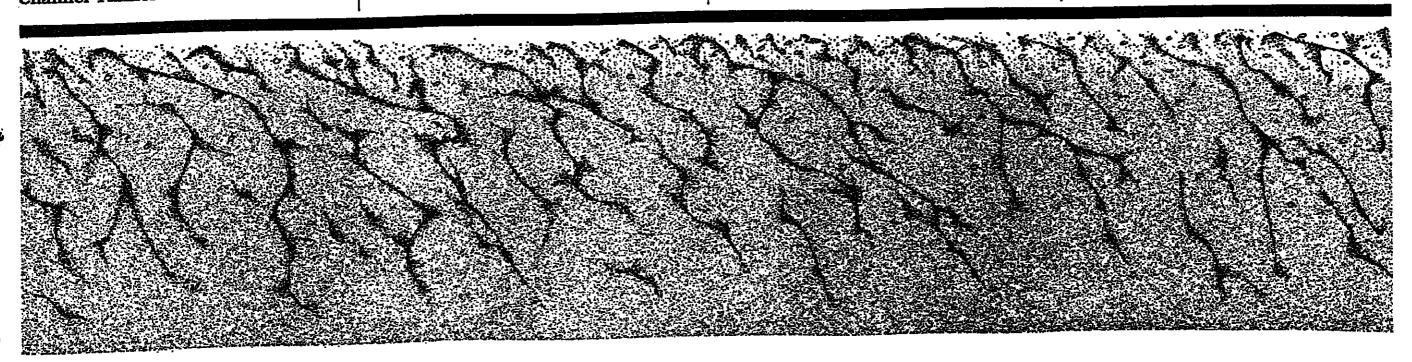
FEBRUARY 1987. Alastair Morton appointed co-chairman of Eurotunnel with André Bénard.

APRIL 1987. The Assemblée

Nationale vote unanimously in favour of authorising the government to ratify the Treaty and Concession. Expenditure to date exceeds £100m, with emphasis on preparatory works at Sangatte near Calais. Orders to British Industry exceed £50m.



A breakthrough for Britain.



# UK NEWS - AFTER THE ELECTION

# Opinions that were polls apart

THERE was such a plethora of opinion polls during the election campaign that the results were bound to be mixed.

The main conclusion is that the familiar national surveys by established polling organisations were broadly correct and the special surveys of a range of marginal seats or particular constituencies

The national polls were broadly stable during the last three weeks of the campaign. certainly within the margin of error of 3 percentage points to 4 percentage points. The average final rating of the main poils was 42 per cent for the Tories, 34 per cent for Labour, and 22 per cent for the SDP/ Liberal Alliance.

In the outcome, the Tories' share was understated by one point, as was the Alliance's, while Labour's rating was overstated by two points.

The prize for being nearest goes, as at the last two general

Peter Riddell on the accuracy of election voting predictions

exactly right and was only a of the outcome. point out with the other groups. These projections of voting

share cannot be neatly translated into the distribution of seats won because of possible variations between parts of the country. The national polls could not, by definition, measure the large swing to Labour in Scotland and the different trends in the Midlands

Hence, most of the polls considerably understated the size of the Conservative majority. This was illustrated by the exit poll for ITN undertaken last Thursday by Harris Research.

Opinion Research International jected a 68 majority of sents which had Labour's share which turned out to be 34 short

By contrast, the BBC's projections on the night, based on a Gallup survey of nearly 5.053 voters on polling day and the day before, projected a majority of only 26, but with a large margin of error. The Gallup poll understated the Tory share by three points and overstated Labour by a similar amount. This could reflect either a lastminute switch of votes or an

The BBC faces more serious embarrassment over its News-night surveys of marginal seats undertaken by polytechnic and university departments of poli-cies throughout Britain. These points.

This was highly accurate on the rest throughout Britain. These shares of the vote, only understand stating the Tory share by one Market and point. But ITN initially prosents, larger than actually

occurred. Although the BBC was cautious in its interpretation, rumours that the polls might imply a hung parliament shook the etock market.

There were several polls of groups of marginal seats by mainstream polling bodies and these produced contradictory results, some suggesting that Labour was doing better there than elsewhere and some worse. The national surveys were, however, a better guide.

The polls of individual constituencies produced mixed results. The Harris Research polls for Channel Four News consistently forecast a Labour gain in Calder Valley (the Tories held the seat comfortably) and the projection of a late swing to the Alliance in Cheltenham was wrong. But Harris was right in suggesting that the Tories would hold Dudles West.

Following considerable errors during the 1983 campaign, much less attention was paid



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**Dr Pierre Jungels** Managing Director & Chief Executive Petrofina (UK) Limited President, institute of Petroleum

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# Scottish Liberal leader warns of violent action by extremists

SCOTTISH resentment could der of the 72 Scottish seats, "boil over into form of vio- nine are held by the Alliance lence" if the Government pays no attention to demands for a Scottish assembly, Sir Russell Johnston, MP, Leader of the Scottish Liberal Party, warned

yesterday. He said that "hotheads at the extremes of politics" might get out of control and pursue policies of civil disobedience in protest a gainst the Government. He stressed that he himself would not condone such

Sir Russell said that the Gov-erament had to face the fact that a clear majority of the people of Scotland voted in the general election for some form of devolution and against a "continuation of the levels of

kind, the Scottish Secretary, before the Queen's Speech at which he will demand the

cent of the vote. Of the remain-

and three by the Scottish National Party.

The 50 Labour MPs will meet in Glasgow today to formulate a strategy for opposing the Gov-ernment in the Commons. The party's Scottish Executive Committee agreed at the weekend

Mr Donald Dewar, the shadow Scottish Secretary, is to seek a meeting with Mr Malcolm Rif-

unemployment which we have establishment of an assembly, suffered." The Conservative Party lost charge or poll tax which is to 11 of its 21 Scottish seats and replace rates in Scotland in saw its share of the vote decline from 28 per cent to 24 economy, no further privatisaper cent. Labour won 50 seats, the affecting Scotland and more a gain of nine, and took 42 per resources for health and educations of the rate of the reprint them.

If he did not obtain a "satisfactory response" the Labour Party "will initiate a programme of action aimed at Only the Conservative Party making the Government come to manifesto had no commitment terms with their impossible to a form of Scottish assembly.

The party's proposed campaign in Scotland, which will include rallies and will involve Labour-controlled local authorities and the Scottish Trades Union Congress, appears aimed port in Scotland for a parlia-mentary bill to set up an assem-bly which would be presented deep-seated support for a Scot-to the Commons within a year.

"We intend to ensure that when that appeal for devolution in Scotland is laid before parliament there can be no doubts as to the strength of feeling of

the Scottish people," the executive said in its statement. Mr Cambell Christie, general secretary of the STUC, said yesterday that Labour should talk to the other Scottish poli-tical parties to form the broadest possible alliance to put pressure on the Government."

### Young proposes inner city partnerships BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE GOVERNMENT will not seek to "pour money" into inner cities, Lord Young, the He said he would seek to "trade and Industry Secretary, said yesterday.

Lord Young said on Independent Television that Liverpool have got to do in the inner city in the country start coming back into the and "not very much seems to world of work. To start work perhaps for themselves, perhaps as co-operatives."

Lord Young warned that if necessary the Government would find ways of bypassing local authorities that presented problems to its strategy and would "go directly to the people living in the inner cities."

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June 16 1981

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# THE US ECONOMY

Bill Robinson looks at the outlook for the dollar after the Venice summit

# A heavy landing in prospect

WORLD FINANCIAL markets have plenty to digest: the reelection of Mrs Thatcher, the replacement of Mr Paul Vokker as Federal Reserve Board chairman by Dr Alan Greenspan, and the outcome of the Venice summit.

The news from Venice was that there was no news—cer-tainly no new initiatives on the US budget deficit. American fiscal policy thus remains lax, which is why the departure of a stern monetary disciplinarian must raise new doubts about the future of the dollar.

With election uncertainties removed, London is an obvious removed, London is an obvious haven for funds fleeing New York. Having survived the crisis of the \$1 pound, Mrs Thatcher may next face the problem of a \$2 pound.

The origins of the dollar's weakness lie in Mr Reagan's budgetary profligacy — which now contrasts strikingly with Mrs Thatcher's careful house-keeping. I shall argue that unless corrected, the US budget deficit will produce higher interest rates, inflation and recession in the world's major economy, sparked off by a socalled hard landing for the

generated a balance of payments deficit which is eroding confidence in the dollar for the simple reason that nobody lends

Because the dollar is an international currency, the world into by the accompanying lax fiscal by the accompanying lax fiscal ing and borrowing into by the accompanying lax fiscal ing and borrowi

America has been overspending since 1982 and its current account deficit has since 1984 amounted to over 50 per cent of its overseas earnings. At first this massive outflow was financed by selling off assets but since mid-1985 the US has been running up international debt. Its creditors are now losing patience.

Confidence in the dollar can only be restored if America starts to live within its income — hence the need to reimpose fiscal discipline. Unfortunately there is little chance of this happening under a weakened President with a hostile Con-gress. If the budget deficit re-mains above the Gramm-Rudman targets, the financial markets will eventually impose their own, much tougher, curbs on American spending.

Any English economist, who has seen it all too often before, can fill in the details. People will become increasingly unwil-ling to lend in dollars (because of the risk of repayment in devalued coin). By contrast even those whose business is not conducted in dollars will wish to borrow them for just the same

willingly to those who show no signs of ever being able to repay.

America has been overspending signs of the US financial markets. Similarly those with dollar receivables will increasingly seek painful way of bringing about the sell them forward driving the necessary outs in IIS

Up to now the decline in the dollar has been orderly — a "soft landing", talked down by the US authorities and guided by interest rates below the world average. The dollar, which had been massively overvalued, has now reached purchasing power parity against other currencies.

However, it is still falling despite official protestations that it has fallen "absolutely and fundamentally" far enough, and despite rising interest rates. Those are the hall marks of a "hard landing".

The issue is no longer what level of the dollar is required for long-term trade equilibrium. It is how far the dollar must fall to persuade market opera-tors that the next likely move is upwards. Only then will they stop seeking the dollar loans, and

seeking the donar local, the selling the currency forward. Long before this point is reached, however, interest rates, which are the other mechanism for bringing lend-

ceivables will increasingly seek to sell them forward, driving down the forward exchange rate and raising Eurodollar interest rates.

Up to now the decline in the dollar has been orderly — a "soft landing", talked down by the Its authorities and collection and collection in the dollar has been orderly a "wave of bankruptcles."

Inflation also rebuild them. Infla

America has never been so heavily indebted and a sharp rise in interest rates could bring about a cumulative collapse of credit-based busi-ness activity.

The Federal Reserve is

acutely aware of this danger, and will try to insulate domestic interest rates from the consequences of a progres-sive loss of international confidence in the dollar. For the Fed, though determinedly antiinflationary, is also the guardian of the US banking guardian of the US banking system whose stability would be threatened by higher interest rates. But rates can only be held down by printing money, and this would surely accelerate the decline in the dollar, with serious inflationary

Inflation, cured by the tight money policies of the 1980s, is now itself the only cure in sight for the problems caused

their assets being eroded save more out of current income to rebuild them. Inflation also

and a wave of bankruptcies to cut back investment; inflation to boost public and private saving: these essentially are the remedies that the financial markets will impose if the US authorities fail to cut their budget deficit. Central to this scenario is a further decline in the dollar which will push interest rates and inflation upwards despite the authorities' attempts to stop them rising.

A large devaluation will be needed, on this way of looking at things to senerate enough at things, to generate enough inflation to call forth sufficient extra savings (a falling curextra savings to harmonic rency generates less inflation in the relatively self-sufficient US than in the smaller and more trade-dependent Euro-

pean economies). The doflar has so far fallen by an average of 50 per cent against oher currencies since its early 1985 peak (far more against the D-Mark and yen). As President Reagan once said "You ain't seen nothing yet."
The author is Director of the institute for Fiscal Studies and former
editor of the London Business School
Exchange Rale Outlook.

CONTRACTS

# Supplying landing gear for the Airbus

DOWTY ROTOL, second only to 1988 and the first prototype 72
British Aerospace as the largest UK supplier to the Airbus Industrie A320 programme, has also been tract from Peterhead Harbour awarded to Henry Boot by St Hotel.

At East Grinstead the contract involves construction of an unusual pavilion-style group practice.

Trustees, the Renfrew company Albans City and District Council. Work on the £1.2m project is to start shortly. received orders in excess of 100 james LongLey has won con-aircraft sets of landing gear for tracts worth £2.7m for projects in Crawley, Horley, Haywards for ram air turbines and other aircraft sets of landing gear for the A320. Together with orders for ram air turbines and other ancillary equipment. Dowly Rotol's total A320 order value exceeds £250. Dowly Rotol has design leadership for the main landing gear for the A320 which is manufactured in collaboration with Messier-Hispano-Bugatti. Three versions of the A320 landing gear are to be supplied; the first is the 66 tonne twin-wheel gear for which nine aircraft sets have been delivered to date. Work is on programme for the two increased weight 72 tonne gears available as twin or fourgears available as twin or four-wheel bogie versions. The first production unit of the 72 tonne twin is scheduled for January

Heath East Grinstead and Worth.
Two involve reconstruction and repairs following fires. APV International's Crawley offices, which Longley built 20 years ago, suffered fire and smoke damage to its computer suite and three other floors. The roof of St Nicholas at Worth, one of England's oldest churches, was ruined by fire and is to undergo restoration. In the same locality Longley is building a sports hall for Worth Abbey School.

For the Multiple Sclerosis Society the company is undertaking a £1.2m residential care home scheme which will provide accommodation for 28 guests of special struction of the same of the four-storey flats and the service of the first office refurbishment of the confice and three the duct for a Halifax Building society data centre in Copley, west Yorkshire.

New car showrooms, parts department and offices are to be constructed in Sheffield for BMW main agents, Hallamshire Motors. The 26 week £550,000 contract will involve a single-storey high-bay were constructed in Sheffield for BMW main agents, Hallamshire Motors. The 26 week £550,000 contract will be completed in November.

\*\*FAIRCLOUGH SCOTLAND has been appointed main contractor for phase one of a scheme to deepen part of the South Bay to Peterhead Harbours in Aberd

At East Grinstead the contract involves construction of an unusual partition-style group practice surgery for six doctors with a glazed atrium and planted courtyard as the central feature. Under a design-and-build contract office refurbishment of Harland House for Keswick Holdings has begun at Haywards Heath

Work on the £1.2m project is to start shortly.

Amec Projects has placed an £20,000 contract for the 25-week construction of a substructure package including pad foundation, retaining wall and service duct for a Halifax Building Society data centre in Copley, West Yorkshire, New car showrooms, parts department and offices are to be Society data centre in Copley, West Yorkshire.

New car showrooms, parts department and offices are to be constructed in Sheffield for BMW main agents, Hallamshire Motors. The 26 week £550,000 contract will be completed in November.

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FAIRCLOUGH SCOTLAND has been appointed main contractor project is programmed for com-pletion towards the end of 1987.

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The fundamental objective of the Zones is the rapid development of new business opportunities by means of international market entry and growth. It is anticipated that international business opportunities developed within the Zones will complement and enhance Queensland's existing business and economic base.

EXPRESSIBILITY OF THE ST

enhance Queensland's existing business and economic base.

EXPRESSIBITS OF INTEREST

The Queensland Government invites expressions of interest from organisations, comparies, consortia and individuals with suitable expertise and resources, to establish and operate Business Development Zones in Townsville and Cairns.

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Registrants will be provided with restablished business includes.

by provious surable incentives.

Registrants will be provided with guidelines including background information, objectives of the program, criteria and specific requirements to be submitted with any proposal. Also provided will be details of consultants registering their interest and relevant expertise in supporting the development of proposals. Registrants will be invited to submit proposals by 30th September, 1967.

The Queensland Government also invites registration of interest from consultants with international business and Zone development expertise, who could: assist proponents prepare proposals; establish or operate the Zones; and develop international business onour holites.

Expressions of interest in this significant economic initiative should be marked "Business Development Zones - Expression of Interest" and submitted in writing by 5.00 p.m. on Tuesday, 30th June, 1987 to:

Promier's Bepartment,
P.O. Bex 185, HORTH GUAY Q. 4009 AUSTRALIA
ATTENTION: Mr. L. Johnson
Director, Policy

Additional information may be obtained from the Agent-General for Queensland, Queensland House, 392/3 Strand, London WC2R OLZ, Telephone (1) 836 1333. Telex (512) 268 905.

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# **UK NEWS**

# SDP puts off merger talks with Liberals

THE LEADERSHIP of the Social Democratic Party (SDP) last night positioned the inevitable debate on the need for a merger with the Liberal Party, making it clear that it did not intend to be pushed into any early decisions by its Alliance part-

In a decision which does not seem to augur well for the future re-lationship between the two parties, the SDP has, however, decided to end the system of joint spokesmen which the Alliance operated during the recent general election cam-

paign.

The move emerged after a meeting of the SDP's national committee met in London. This was held 24 hours after the weekend call from Mr David Steel, the Liberal leader, for a "democratic fusion" of the two parties. Afterwards, Mrs Shirley Williams, the SDP president, said a number of options would be discussed on June 29.

The two-week delay in discussing merger prospects is also intended to give SDP leaders more time to formulate a common approach to the possibility of some form of full union with the Liberals and to avoid a potentially damaging split within their own ranks over the is-

Dr David Owen, the SDP leader, who has extensive objections to see-ing his party lose its independence, yesterday declined to make any comment on the merger issue. But Mr John Cartwright, one of the party's five remaining MPs, accused Mr Sizel of appearing to try to force a "shotgun marriage" be-

75. 30e

tween the two parties. He added: "There is a feeling growing that, if we get a merger, all the problems will be solved. I am suspicious of these instant, magical solutions to am difficulties.

solutions to our difficulties." Other leading figures in the party including original "gang of four members" Mr Roy Jenkins, the former MP for Glasgow Hillhead, and day, and the parliamentary party Mrs Williams, who failed to win will consider it tomorrow.



David Steel: plea for democratic fusion

Cambridge, support the principle of an SDP-Liberal merger.

After yesterday's national com mittee meeting, which did not dis-cuss the merits of a merger but which included a lengthy inquest on the Alliance election campaign, Mrs Williams said strong feelings had been expressed that the calls for a merger made by Mr Steel and Mr Paddy Ashdown, the Liberal MP for Yeovil, had brought too much pres-

There was, she said, an attempt to "push the party faster than it should be pushed." She hoped any proposals would go to the annua conference and that the result of a ballot would be known by the end of

to meet, and he felt it was courteous

**BAA PATHFINDER PROSPECTUS OUT NEXT WEEK** 

# Airports authority to be floated

BY LYNTON McLAIN

BAA, formerly the British Airports sale of shares in BAA is to be pub-Authority, is to come to the London lished next Monday, Mr Paul Chan-1985-86. Revenue was up nearly 11 investors."

tion proposals in the Conservative of shares before the August holiday manifesto were the water authoriseason.

ties and the electricity industry. The company made a pre-tax last year. It is a creditable perfor-The pathfinder prospectus for the profit of £124m in the year to the mance and one that I think should

annual report and accounts, for The sale is the latest in the Government's privatisation programme and is the first to be given the goahead since the general election privatisation of the airports immediately and the sale is the latest in the Government's privatisation of the airports immediately and the sale is the latest in the Government's privatisation of the airports immediately and the sale is the latest in the Government's privatisation programme and is the latest in the Government's privatisation programme and is the latest in the Government's privatisation programme and is the latest in the Government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation programme and is the first to be given the government's privatisation of the airports immediately privatisation at the first to be given the government's privatisation of the airport and the government's privatisation at the government's privatisation at the government's privatisation at the government's privatisation of the government's privatisation at the government's priv last week. The only other privatisa- diately, with a view to a public sale

stock market with a flotation of non, Transport Secretary, an per cent to £439m while expendishares in the middle of next month. The company owns and operates seven UK airports, including Heath
shares in the middle of next month. The company owns and operates seven UK airports, including Heath
shares in the middle of next month. The company owns and operates seven UK airports, including Heath
shares in the middle of next month. The company owns and operates seven UK airports, including Heath
Sir Norman Payne, the chairman little changed at £131m compared Aberdeen handled a total of 55m row and Gatwick, which serve Lon- of BAA, published the latest BAA with £129m in the previous financial year while the tax charge rose

BAA's capital expenditure for the year was £153m, the same as for the previous year.

company has performed well in the The company made a pre-tax last year. It is a creditable perfor-

command the interest of potential

The seven BAA airports at passengers in the year to the end of March, up just under 4 per cent on steeply by over 22 per cent to £44m. the previous year.

Sir Norman said BAA would be a "wider share ownership stock," but there woulds be no perks to encourage small investors, other than a Sir Norman said: "I think the loyalty bonus for investors holding company has performed well in the shares for three years.

Sell-offs timetable, Page 12:

# Dikko wins right to stay for time being

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

An immigration tribunal redue to start soon.

versed a decision by Mr Leon Brittan, the former Home Secretary, to
refuse asylum to the 51-year-old Mr
Dikko, who is wanted on corruption

de with the extration processing,
due to start soon.

Mr Mark Patey, the tribunal's
chief adjudicator, said that Mr Dikko would have had "a well founded
fear of persecution on the grounds charges in Nigeria, and granted of his political opinions had he been him refugee status until December required to return to Nigeria in

MR UMARU DIKKO, a former Ni- 31 this year, or until extradition June 1985. "Mr Philip Trussler, the subsequently ousted in 1985, as gerian Transport Minister who nar- proceedings are concluded, whichrowly escaped being returned to Ni- ever is earlier.

Home Office lawyer, told the tribunal that Mr Dikko feared prosecu"I must find that the

geria in a crate during an abortive kidnap attempt in London in 1984, was yesterday granted the right to stay in Britain for a limited period.

The Home Office said it was continuous rather than persecution. In the same of the said it was not his to assess whether Mr Dikko was not period. In the period of the characteristic properties and properties

ered, rightly or wrongly, by the for- found drugged and tied up in a mer Buhari government, which was crate at Stansted airport,

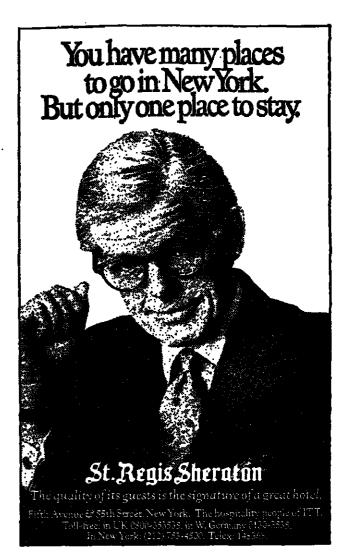
"I must find that the appellant tion rather than persecution."

Mr Patey said it was not his task to assess whether Mr Dikko was in
mal that Mr Dikko feared prosecution."

I must find that the appellant had cause to believe that the Nigerian Government of General Buhari was deeply implicated in the plot to

nocent or guilty of the charges brought against him.

The chief adjudicator said the evidence provided by extracts from newspapers circulation in Nigeria, showed that Mr Dikko was considered which was discovered when he was considered to the constant of the charge of



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# **UK NEWS**

B-A-A BAAplc statement of results for the year ended 31st March 1987.

Curren	t Cost		Historia	al Cost
1987	1986	Revenue	1987	1986
£m	£m		£m	£m
439	396		439	396
91	83	Operating Profit Interest	131	129
(7)	(7)		(7)	(7
84	76	Profit on ordinary activities before taxation	124	122
(44)	(36)	Taxation	(44)	(36
40	40	Profit on ordinary activities after taxation Extraordinary items	8 <b>8</b>	86
(2)	80		(2)	80
38	120	Profit for the financial period	78	166
153	153	Capital Expenditure	153	153
55	53	Terminal Passengers (millions) Cargo (000s tonnes)	55	53
758	730		758	730

BAA plc is the successor to the British Airports Authority (the Authority) with effect from 1 August 1986 and the information prior to that date contained in this successor and are to the Authority (the Authority). the information prior to that date contained in this statement relates to the Authority. This statement contains information from the accounts of the Authority for the year ended 31 March 1986 and, in respect of the year ended 31 March 1987, from a combination of the accounts of the Authority for the four months to 31 July 1986 and the consolidated accounts of BAA pic for the eight months to 31 March 1987. An unqualified auditor's report has been given in respect of each of these accounts and the consolidated accounts of BAA pic will be delivered to the Registrar of Companies.

STATEMENT BY THE CHAIRMAN, SIR NORMAN PAYNE CBE, F.Eng.

Passenger traffic declined in several important markets in the first half of the financial year 1986/7, but recovered substantially in the second half. The overall rate of passenger traffic growth was 3.7% with a total of 55 million passengers using BAA airports over the twelve months. Cargo activity grew by 3.8% to 758,000 tonnes.

In current cost accounting terms, profit before tax grew by f8 million (10.5%) from f76 million to f84 million. In historical cost accounting terms, profit before tax increased from £122 million to £124 million. Taking account of the decline in the rate of passenger traffic growth during the first half of the year and the increase in operating costs and depreciation as Heathrow's Terminal 4 came into use in April 1986, the result for the year is satisfactory.

Capital expenditure at £153 million was mainly on Gatwick's North Terminal which is due to open in early 1988 and the first phase of the development of Stansted Airport.

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# Retail sales 'fell sharply in May'

By Raiph Atkins and Liss Wood

RETAIL SALES fell sharply in May after a large rise in April, according to the latest official figures.

The Department of Trade and Industry's provisional estimate for May shows retail sales falling 3.3 per cent. City of London economists had predicted a fall of about 1 per

The drop is explained partly by bad weather in May, but its size has baffled economists because personal incomes are rising strongly. Towards the end of May incomes were further boosted by the income tax cuts announced in the budget.

In April the volume of retail sales rose by 3.6 per cent, helped by extended shop opening hours at Easter and good weather. The rise was larger than expected, and May's figures could reflect a temporary

The index of retail sales has moved erratically since the beginning of the year. However, the de-partment's figures show that the

trend is still upwards. In the three months to May the volume of sales was 1 per cent higher than the previous three months and 5.5 per cent higher than the same three months last year. The index of retail sales now stands at 125.7 (1980=100) compared with 130.0 in April

The sales index for May contrasts with a more optimistic picture painted by the latest Confederation of British Industry/Financial Times survey of distributive trades published yesterday. This reported higher sales compared with the same month in 1986 although the increase was not as great as retailers had initially expected.

The Retail Consortium, repre senting the bulk of Britain's retailers, described the May figures as "disappointing," given the fall in income tax and mortgage rates. The consortium said major retailers had expressed concern on publication of Mr Richard Weir, director of the

consortium, said: The question is whether this is a blip or a trend. My hunch is that it is a blip." He said possible explanations for May's figures could include uncertainty over the outcome of the gen-

CBI/FT survey, Page 14

Thatcher to continue state sell-offs water authorities' value at about ters its third term of office as committed as ever to its programme of £5bn, bettering the £5.5bn raised returning state-owned industries to

the private sector.

The programme for privatisation is, however, not at all clear. The Government has clearly signalled its intention to prepare the great utilities of water and electricity for sale during the coming parliament, but the timing of these issues is far from being decided.

of these industries will involve exlitical controversy and opposition from within the industries them-

thorities will be privatised before the electricity industry although no decisions have been made in what are clearly the early stages of planning.

The privatisation of water has the

advantage over electricity to the ex-tent that some hefty preparatory work had already been done last year before the decision was made The difficulties already experi-

enced in the case of the water authorities provide some evidence of the hard work which will have to go into preparing the public utilities

city industry could be worth £18bn. They also involve serious ethical and logistical questions which could

hold up their eventual sale. In the case of water, the Government's proposal that some of the regulatory functions of the 10 water authorities in England and Wales should be transferred to a publicly This is primarily because the sale owned National Rivers Authority of these industries will involve extremely complex legislation and tion from the authorities them-quite possibly a good degree of poment of nuclear power stations is likely to prove an even more thorny

and controversial problem. Legislation for electricity is not It seems likely that the water aulikely to be ready before at least the end of 1988, and the Government believes it is unlikely that any pro-ceeds from water will be received during 1987-88.

What seems certain, however, is that the Government faces no shortage of candidates to fulfil its 55bn target for privatisation proceeds this fiscal yeare 1987-88, as announced in the autumn state-

ment last year. One sale has already been completed this year. After a very difficult period of consultation and negotiation, the Royal Ordnance factories were finally sold off to Brit-They are not only far larger than ish Aerospace in April for £190m.

**AVAILABLE PRIVATISATION RECEIPTS IN 1987-88** 

Janet Bush outlines the Government's privatisation timetable

In addition, the highly successful, partly paid issue of shares in Rolls-Royce brought in about £850m in May and will raise a further £650m in September when the second call

Another certainty is that the Brit-ish Airports Authority will be of-fered to the public, probably in mid-July, raising more than £1bn. The preliminary prospectus is due to be onblished next Monday, County Bank is acting as the Government's merchant bank advisers while Cazenove and County Securities will act as brokers.

The Government will continue its

The largest question mark for this year is the sale of the Government's remaining nearly 32 per cent stake in British Petroleum. The announcement that the Government would sell its shares this year. made late in the evening on the day after this year's budget, came as a

complete surprise. Valued on that day at about £4.8bn, the rise in BP shares since now put the stake at nearer £6.25n. substantially more than the overall

target for proceeds this year. It therefore seems likely that the sale will be partly paid, ensuring a flow of proceeds into 1988-89 and

No firm decisions have been made on the timing of the sale al-though it seems certain it will take place after the flotation of BAA. However, the Government's advisory team is in place. N.M. Roths-child will fulfil this capacity in Brit-ain while Goldman Sachs will represent the Government's interests in the US, Daiwa in Japan, Wood Gundie in Canada and Swiss Bank Corporation in Europe.

Apart from fresh issues during programme of selling off subsidia- the current fiscal year, the Governries of National Bus, expected to be ment is assured proceeds from seccompleted in January 1989, according to the Treasury. Last year the sale of 28 subsidiaries was completed month will have brought in £L&hn,

# Two to leave as BBC recasts top management

BY RAYMOND SNODDY

THE BBC yesterday began a restructuring of its senior management with the announcement that two members of the corporation's board of management would leave

Mr Alan Protheroe, assistant director-general, who has worked for the corporation for 30 years, and Mr Brian Wenham, managing director of BBC radio, who has been at the corporation for 18 years, are both

Mr Protheroe, a former head of BBC television news who has been assistant director general since 1982, has rarely been far from controversy in the past few years. His job meant he was intimately involved with all the BBC's recent po-

Mr Protheroe, who is 53, said yes- index.

terday he was leaving the BBC "grateful for the privilege of having led its journalism over the past five

His job effectively disappeared when Mr Michael Checkland, the BBC director-general, recruited Mr John Birt from London Weekend Television as deputy director-gen-eral with the brief to unite BBC news and current affairs across both radio and television.

The Birt plan and other proposed istructural changes removed the heart from Mr Wenham's job as managing director of BBC radio.

When the present moves are com plete, it will give Mr Checkland a substantially new top team to meet the challenge of living with a licence fee linked to the retail price

# Royal Bank to launch desktop banking service

BY ALAN CANE

top banking (electronic cash man-pentive position. agement). It was almost the last of The Royal Bank of Scotland the major UK clearing banks to do (RBS) offering Royline makes it

It claimed, however, that in taking time over development it was now able to offer a superior product which could have a technological lead of up to a year over its competi-

They were introduced to the UK ish clearing banks were forced to sive.

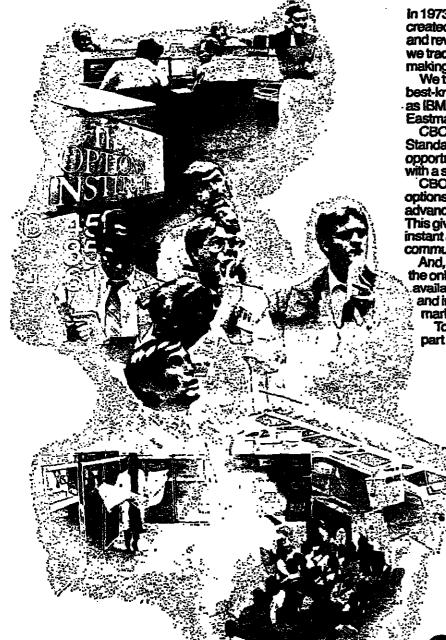
THE ROYAL Bank of Scotland yes- follow suit, usually using US-deterday unveiled its version of desk- signed systems, to maintain a com-

easy for a corporate treasurer to learn the balance of his various accounts, his forward position and the balances of his money market accounts, foreign currency accounts and - within limits - balances held with other banks.

Cash management services were He can transfer funds and pay devised in the US where they en-He can transfer funds and pay abled corporate treasurers to keep other banks using Chaps, the clear-tracks of the balances in their acing banks' automated same day counts and move cash from one ac- clearing service, or Swift, the world-

According to RBS, the service is in the early 1980s by hig US banks suited to very small businesses, such as Citicorp, Morgan Guarantee and Chase Manhattan. The Britmanagement services too expen-

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**Banque Indosuez** 

**Chemical Bank International Limited** Crédit Commercial de France Shearson Lehman Brothers International, Inc.

Banque Paribas Capital Markets Limited

Chase Investment Bank Limited

Compagnie de Banque et d'Investissements

DG Bank Deutsche Genossenschaftsbank Goldman Sachs International Corp.

Nordfinanz-Bank Zürich (Overseas) Limited Leu Securities Limited

Swiss Volksbank, London Branch

The issue price of the Notes with Gold Warrants is 113.18 per cent. Interest on the Notes is payable annually in arrear, the first such payment being due on 22nd June, 1988. Application has been made to the Council of The Stock Exchange for the Notes, the Gold Warrants and the Notes with Gold Warrants to be admitted to the Official List.

Listing Particulars relating to A/S Eksportfinans, the Notes and the Gold Warrants are available in the Statistical Services of Extel Financial Limited and copies may be obtained during usual business hours up to and including 18th June, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 30th June, 1987

Union Bank of Switzerland (Securities) Limited, The Stock Exchange, P.O. Box 406, London EC2N 1EY

Nivison Cautrade Limited, Bartlett House, 9-12 Basinghall Street, **London EC2V 5NS** 

Citibank N.A., Citibank House, 336 Strand. London WC2R 1HB TO SECURITY OF THE SECURITY OF

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THE DE

Notice of Redemption

# Sunkist Overseas Finance, N.V.

10%% Guaranteed Notes Due 1990 \*Cusip No. 867365 AA

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency agreement, dated as of July 15, 1983 between Sunkist Growers, Inc., (the "Company") and Citibank, N.A., (the "Fiscal Agent"), under which the above described Notes were issued; \$8,000,000 aggregate principal amount of said Notes will be redeemed through the operation of the mandatory and optional Sinking Fund provisions on July 15, 1987 (the "Redemption Date") at the redemption price of 100% of the principal amount thereof together with accrued interest to the date of redemption.

COUPON DEBENTURES OF \$1,000 PRINCIPAL AMOUNT

The Notes specified above are to be redeemed at Citibank, N.A., Corporate Trust Services, 111 Wall Street, 5th Floor, New York, New York 10043 and the main offices of Citibank, N.A., in Amsterdam (The Netherlands); Brussels (Belgium); Frankfurt/Main (West Germany); London (England); Luxembourg); Paris (France); Zurich (Switzerland); or Banque Internationale à Luxembourg).

On the Redemption Date, the Notes shall become due and payable upon presentation and surrender thereof with all interest coupons maturing subsequent to the redemption date.

Coupons due July 15, 1987 should be detached and presented in the usual manner.

On and after July 15, 1987, interest shall cease to accrue on the Notes.

# SUNKIST OVERSEAS FINANCE, N.V.

By: CITIBANK, N.A., Trustee

Dated: June 9, 1987 \*This CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the convenience of the holders. Neither Sunkist Overseas Finance, N.V. nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the 10%% Guaranteed Notes or as indicated in any redemption notice.

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Tax Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

# When his ship was torpedoed.. so was his future peace

of mind Leading Seaman R.....tH......n served right through the war. He was torpedoed in the Atlantic and suffered from exposure. He served in Landing craft, and his home received a direct hit from a bomb while he was there

In 1945 his mind could take no more, and he scent the next 25 years in and out of mental hospitals. He now lives with us. Sailors, Soldiers and Airmen still

risk mental breakdown in serving their country. However brave they may be, the strains are sometimes umbearable. We care for these gallant men and

vomen, at home and in hospital,

We run our own Convalescent Homes, a Hostel for the younger homeless who can still work, and a Veterans' Home for the ageing warriors who are no longer able to look after themselves. We also assist peoples  $R\ldots H\ldots H$ ageing warriors who are no longer able to look after themselves. We also assist people the R....t H.....n at Pensions Tribunals, ensuring that they receive all that is their due. These men and women have sacrificed their minds in service. To help them, we

"They've given more than they could-please give as much as you can'

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YAMAZAKI will export back to Ja- UK industry has been building in pan some of the machine tools it recent years. Yamazaki says it will export 80 makes at its new plant at Worcester

Japan to import

from Yamazaki

machine tools

BY NICK GARNETT

in the west Midlands. Mr Teruyuki

Yamazaki, the company's president,

said yesterday. He also said that the company

would build a technological develop-

ment centre on the site. This would

involve some technology transfer

with European companies and in-

corporate work in new materials

and electronics as well as machine

Mr Yamazaki was opening what

will become the company's Euro-

of which £5.2m has been provided

through various forms of govern-

form of production presence in the

UK, employing 13,000 people.

The Worcester plant, which

per cent of production from Worcester. Most of these exports will go to mainland Europe. However, Mr Yamazaki said Worcester would al-Yamazaki said Worcester would al-so export to the US - where the of 304 retailers questioned, 63 per company already has a manufacturing facility in Kentucky - and to Ja-

He also indicated that Worcester would become the worldwide source of some of Yamazaki's machines. It was the company's policy, he said, not to duplicate machine tool sourcing wherever that could be avoided.

pean manufacturing centre, representing a total investment of £35m Machines so far built at Worcester have been assembled from kits. The intention is to move to 60 per cent EC content, measured in the broad definition including labour There are now 55 Japanese manufacturing companies with some costs, by the end of this year.

The company has already begun sourcing castings locally and by the end of the year will be using European-made hydraulics.

comes on stream this year, is build-ing at the rate of 35 machines a The arrival of Yamazaki as a machine tool builder in Europe has month. When it comes into full proworried European lathe and ma-chining centre manufacturers. The duction within the next 18 months, it will have the capacity to build up chining centre manufacturers. The to 1,200 lathes and machine centres Japanese company's production targets imply that they intend to in-crease their market share in the This is equivalent to a half by volume of the computer numerically UK and the rest of Europe very subcontrolled machine tools that the

**CBI/FT SURVEY OF DISTRIBUTIVE TRADES** 

# Retail sales rise less than expected

BY RALPH ATKINS

BRITISH RETAIL sales were stronger in May than in April, but the improvement was not as great

The pattern of sales in May and April was distorted by the late Eas-ter, bank holidays and, more recently, by bad weather, according to the Confederation of British Indus-

cent thought their June sales would be higher than in the same month

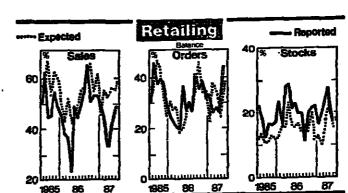
last year.
More retailers expect sales increases in June, compared with last year's level than at any time since January," said Mr Nigel Whittaker, chairman of the survey panel. In May 60 per cent of retailers

said sales had increased and 11 per cent reported falls. Shoe, clothes and grocers shops were most posi-tive about sales in June.

In April retail sales picked up after six relatively flat months. The Department of Trade and Industry's index of retail sales rose 3.6 per cent in April - helped by buoyant Easter sales and continuing growth in real personal incomes. But yesterday's retail sales figures

are a setback. In the next few months sales could be boosted by the effect of tax cuts announced in the budget and

The survey found that strong sales appeared to be creating more



jobs. It also reported an increased number of distributors spending more on investment in May than in the same month last year.

For wholesalers, sales increased in May in line with expectations but at a slower rate than in April. A similar rate of growth is expected in June. Most positive were builders merchants and food and drinkwholesalers.

"Wholesalers and motor traders whose sales continue to grow after a record first quarter - are also taking on more staff as their sales continue to exceed last year's levels,"

The balance of wholesalers reporting an increase in the number they employed in May compared

+17 per cent when the question was last asked in February.

In retailing a balance of +44 per cent reported an increase in the number employed against +23 per cent in February. A balance of +45 per cent expect employment to in- to June. crease in August.

When asked about investment intentions, 40 per cent of retailers and 44 per cent of wholesalers expected to authorise more investment expenditure in the next year than in the last 12 months.

The survey shows the growth in volume of retail, wholesale and motor sales accounted for by imports diminished in May. The fall follows drops in imported penetration reported in the last two quarterly sur-

May compared with a year before was greater than expected. The balance of retailers ordering more than a year ago rose to +43 per cent - the highest since August

Among motor traders, sales rose faster in the year to May than anticipated but slower than in the 12 months to April A balance of +33 per cent expect an increase in sales

Motor traders also expect to in-crease investment in the next year. A balance of +21 per cent anticipate spending more on capital ex-penditure - the most positive response for three years.

The number employed by motor dealers grew faster than expected in May. A belance of +19 per cent expect further increases in the year

Renault UK yesterday increased its car van prices by an average of 2.5 per cent, John Griffiths writes.

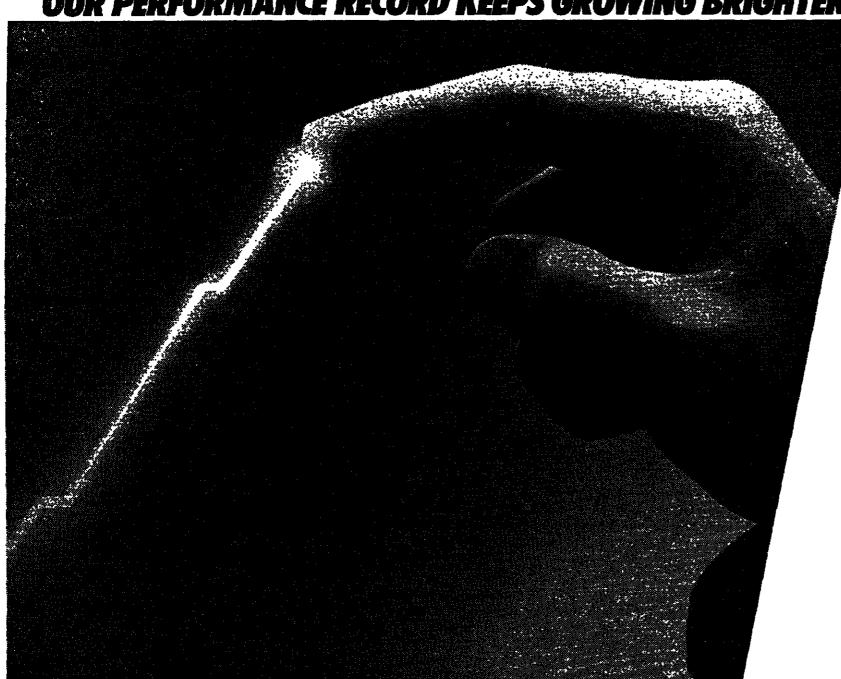
It attributed the increase to improved product specification and increased production costs, rather than to adverse exchange rate

The latter has obliged West German and Japanese importers to impose a series of price increases during the past 12 months.

Examples of Renault's new prices, including all taxes (old price in brackets): Renault 5 TC 4-speed with a year ago, minus those who reported a fall, was +42 per cent.

The increase in orders placed by E4.640 (£4.540), 21 TS £7.540 (£7.350), 25 GTX £12,690 (£12,250).

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# Motor industry's trade deficit improves in first quarter

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

significant improvement in the UK ers.

motor industry's trade deficit in the Car exports increased in the first first quarter this year means that the steady decline in the automotive trade balance experienced since 1981 has levelled off or has been reversed, says the Society of Motor Manufacturers and Traders.

In the first quarter exports improved by 19 per cent to £1.474bn compared with the same period last year. Imports, at £2.343bn, rose by only 6 per cent, according to the society's analysis of Customs and Excise statistics. An important sector to miss the

improving trend in the first three months was parts and accessories which was in surplus until last year. ened by £120.4m, or nearly 400 per cent, to £150.7m.

Mr Peter Caldwell, the society's senior economist, points out that imports of parts and accessories have benefited from the growth of foreign cars in use in the UK. It is estimated that more than 48 per cent of the cars on the roads in Britain were built outside the country.

The only sector to continue to show a surplus of exports over imports was "other motor industry products" which includes agricultural tractors, dumpers, dump trucks, trailers, semi-trailers, caravans, industrial works trucks and tractors

IT IS too early to judge whether a and their parts and freight contain-

three months by 6 per cent in vol-ume, from 57,366 units to 60,928, but the value was up by 57 per cent to £450.1m.

This mainly reflects the fact that high-priced Jaguars and Rover Sterling models replaced low-cost Peugeot Talbot car kits for Iran in the quarter. Car imports were down by 18 per

cent in volume to 231,795 as Ford and General Motors, the Vauxhall group, filled more demand from their British factories. However, the value of imports fell only slightly, by 3 per cent to £1.16bn. Mr Caldwell says the average value of each imported car increased

by 18 per cent in the first quarte and that some of the rise reflects increased prices paid by importers because of the pound's depreciation against other currencies. Exports of commercial vehicles up to 3 tonnes gross weight rose by

2 per cent to 5,372 units, but the value increased by only 1 percent to £18.6m. Imports of these vehicles fell by 19 per cent to 17,711 units. Heavy commercial vehicle exports fell by 1 per cent to 5,881 units, and the value was sharply down, by 26 per cent to £56.9m. Imports were also well down, by 21 per

cent in volume to 8,606 units and by

6 per cent in value to £139m.

UK TRADE IN
MOTOR INDUSTRY

	First q (Em)	juerter
	1986	1987
:	Exp	orts
Cars	<b>285.9</b> <sup>*</sup>	450.1
CVs* up to 3		
tontes gross	18.4	18.6
weight Other commer-	10.4	10.0
cial yehicles	77.A	56.9
Parts &	<del>-</del>	
accessories	654.0	724.8
Other products	204.1	223.3
	Inac	orts
Cars	1,206.5	1,165.6
CVs up to 3		
tonnes Other comme	77.0	73.0
Other commer- cial vehicles	149.0	139.0
Parts &	1-3.0	193,0
accessories	684.3	877.5
Other products	102.5	87.G

Trede (-929.6)(-715.5) CVs up to 3 (- 58.6)(- 54.4) (- 71.5)(- 82.1) (- 30.3)(-150.7) 101.6 135.7 (-979 )(-869 )

Source: Society of Motor Manufacturers and Traders

# FUGIT First Union General Investment Trust Limited

INTERIM REPORT for the six months ending 30 June 1987

im – declared 11 June 1987

Ye; ende 31 Decembr 198 (Actua	Six months ended 30 june 1986 (Actual)	Six months ending 30 June 1987 (Estimated)	Notes
R20 865 00	R10 592 000	. R13 150 800	162
79 246 91 26,33 cen	79 246 917 13,37 cents	79 246 917 16,59 cents	ĺ
8,0 cen 13,5 cen	8,0 cents ~	19,0 cents	3
748 cen	568 cents	945 cents	3 [

 The income of the Trust does not accrue evenly over each six month period of the financial year but is dependent on the timing end policies of the Trust's underlying investments. 2. Surpluses on realisation of investments have been transferred to a non-distr

of the company and have not been included in the net income after taxation set out above.

3. The net asset value shown under 30 June 1987 was calculated at close of business on 9 June 1987 after deducting the divider

DECLARATION OF INTERIM DIVIDEND in respect of the six months ending 30 June 1987

Notice is hereby given that interim dividend No. 53 of 10,0 cents (1986: 8,0 cents) per share has been declared in respect of the year ending 31 December 1987 payable to shareholders registered in the books of the company at the close of business on Friday,

The dividend has been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the South African and United Kingdom transfer secretaries on or about 17 July 1987. Cheques in respect of dividends usued by the United Kingdom transfer secretaries will be drawn in United Kingdom currency equivalent as at 10 July 1987. Non-resident shareholders' can at the rate of 15% will be disducted from dividends where applicable

D. Gordon (Chairman) J. R. McAlpine (Director) 1 june 1987

South African transfer secretaries Central Registrars Limited 4th Floor 154 Market Street P.O. Box 4844

# **BELGIAN CHEMICAL INDUSTRY**

Tony Jackson on the Belgian chemical group's ambitious strategy

# Solvay aims for the big league

BARON DANIEL Janssen chairman of Solvay is not happy with the Financial Times's coverage of his company. Not that it is inaccurate, he says. There is just not enough of h, and it is not in the right place. Surely the results of Belgium's second largest company—and one of the world" the world."

Solvay is still of primary importance in the portance of producing all over Europe, in Russia, in the US—which in 1863 was quite an achievement."

As a result, the group claims to be unusually shielded from the currency fluctuations which have a powerful effect on rivals to five by size in our products in the world."

There have been of producing all over Europe, in Russia, in the US—which in 1863 was quite an achievement."

As a result, the group claims to be among the top three to five by size in our products in the world."

There have been of producing all over Europe, in Russia, in the US—which in 1863 was quite an achievement."

As a result, the group claims to be unusually shielded from the currency fluctuations which have a powerful effect on rivals such as Imperial Chemical industries of the UK and the German chemical industries of the UK and the currency fluctuations which have a powerful effect on rivals such as Imperial Chemical industries of the UK and the German chemical industries of the UK and the idea of producing all over Europe, in Russia, in the US—which in 1863 was quite an achievement." gest company—and one of the world's big chemical groups— deserves the front page?

deserves the front page?

Being told this in person is an arresting experience, since the baron is 6 feet 5 inches, with a formidable Belgian moustache and an air of command. He is also a great, great grandson of Ernest Solvay, who founded the company 124 years ago. He therefore speaks with the authority of the 4,00 strong Solvay clan, which still has a controlling stake in the company.

(Cm; 1756 (;**4**)

584) [. 1724 [.

= %51.3 = 75.44

He was in London recently as part of a road show taking in Frankfurt, Paris and Brussels, aimed at raising and improving the company's image with investors. And indeed, Solvay is an odder and more interesting company than it is sometimes given credit for.

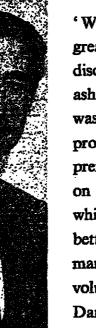
The foundation of the business was the Solvay process for making one particularly basic chemical, soda ash. The process, painstakingly developed by the brothers. Ernest and Alfred Solvay in the 1860s, still stands as a landmark in the chemical industry, and proved so superior to the older Leblanc process that it drove the comprocess that it drove the com-petition out of business.

Solvay is still the world's biggest maker of soda ash, and is also the world's biggest salt producer and Europe's biggest maker of chlorine. In an industry which tends to emphasise the move from commodity chemicals to specialities with high added value, Solvay is the bulk producer par experience.

Not that the Baron would gree. "We don't live with that separation between so-called bulk and specialities bulk is a word I never use. The group has always stressed the idea of having products with high margins. When my great great-grandfather discovered the soda ash process, that was high margin product.

to five by size in our products in the world."

Take, for instance, the bulk plastic polypropylene, where Solvay is still a relatively small player. "We started in 1976, old—and in Spain, Portugal,



'When my great great-grandfather discovered the soda ash process, that was a high-margin product. And we prefer high margins on high volume which after all is better than high margins on low volume '-Baron Daniel Janssen (left)

beginning it was hard but since last year we're not only earning, we believe we're get-ting really good technically. We have two major plants—one in France, one in Texas—and we're de-bottlenecking to increase capacity. Our objective is certainly to move up the rank-

a high-margin product. And commodity chemicals not worth past three or four years. And in polypropylene and health we prefer high margins on high transporting long distances has if the D-Mark is strong and care as we did with our other volume, which, after all is one particular advantage. "We surrounding countries are expected than high margins on low volume.

The example set by Ernest where we sell. That was true of the way of exports ourselves."

Switzerland, Austria and so on. Belgium is a very small country for us in production terms. "So when currencles fluctu-

ate in a large way, we are less influenced than the Germans exporting from Germany, the Swiss from Switzerland and so on. As for chemicals which are certainly to move up the ranking."

D.Marks, the big league.

We've always had that gether with the D.Mark in the tradition, and we hope to do it past three or four years. And in polypropylene and health-transporting long distances has if the D.Mark is strong and care as we did with our other controlled.

Not that the baron would have it thought that Solvay is merely a European company: "We were pushed out of the US in 1922, but we started again in 1973.
"Our husiness there is growing very remarkably. We're big in high density polyethylene, nolypromylene and bydrogen

polypropylene and hydrogen peroxide, and in human and animal health. Last year, we had much better US profits, and in this year's first quarter they were much better again. And since we had losses from 1973 to 1980 when we were establish-ing ourselves, we don't pay taxes —it all comes straight through."

One ambitious step was the \$120m acquisition of Reid-Rowell of the US, a pharmaceutical company, in April last year. Solvay had already built up a position in drugs through two European subsidiaries, Duphar and Kali-Chemie, but sold only through licensees in the US, having the familiar European problem of having no US distribution network. "We decided that was some-

thing we badly needed, so we bought Reid-Rowell. That took us from no medical representa-tives to 120, and we now have 150. The company already had \$36m sales of its own products, mostly ethical pharmaceuticals, and they were strong in the gastro-intestinal field. That's one of our four important areas. the others are the central nervous system, cardiovascular drugs and immunology. So there

drugs and immunology. So there was a very important link."

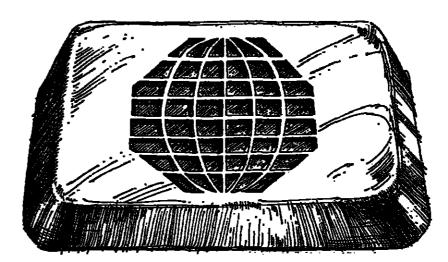
The company has also had its fingers burned in the US, through its 25 per cent stake in a huge ethylene cracker at Corpus Christi, Texas. "We decided to set it up in 1976, it started in 1980, it began with huge losses and carried on that way." So, along with on that way." So, along with other stakeholders such as ICI,

other stakeholders such as ICI, Solvay this year sold out to Sterling, the acquisitive US buyout group specialising in commodity petrochemicals.

The baron, however, represents that as an aberration:

"We're not petrochemical producers, we're plastics producers." And of other things, provided they put Solvay in the big league.

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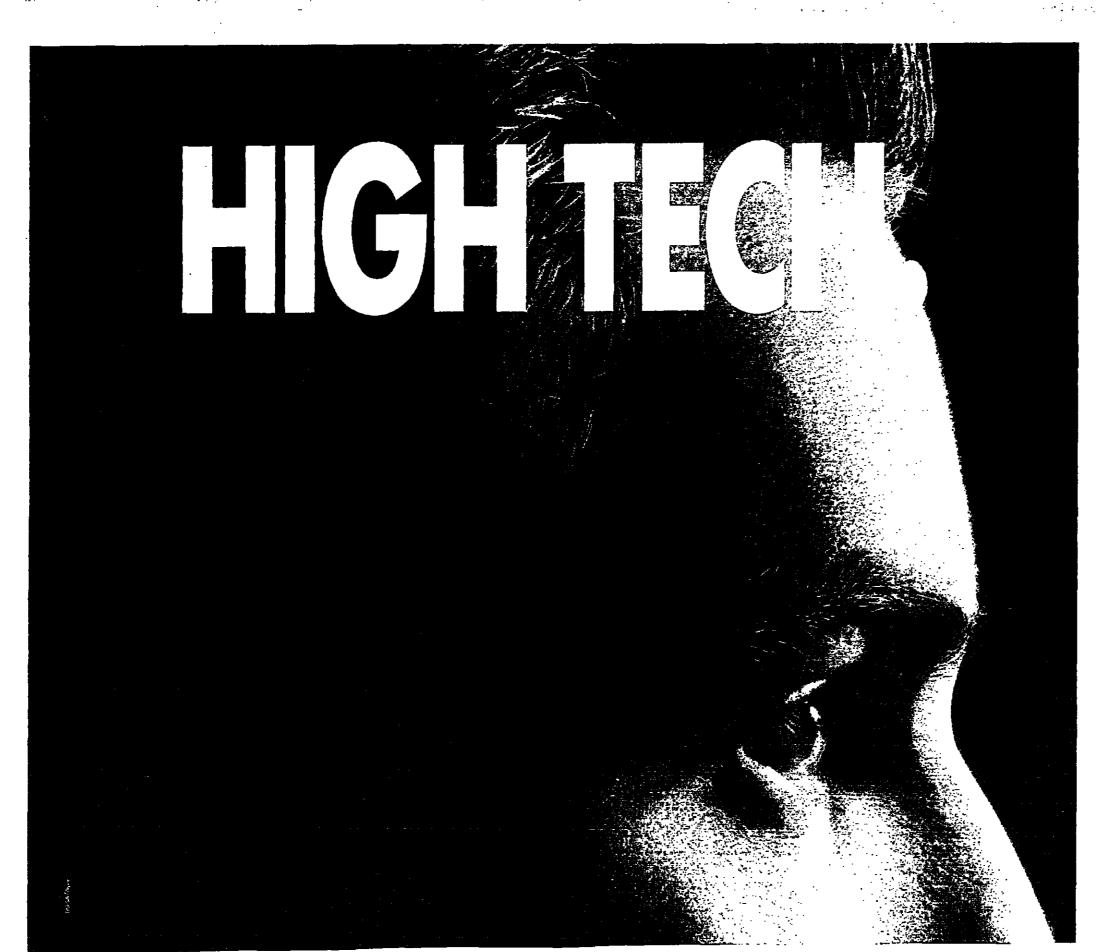
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# WEST GERMAN MACHINE TOOLS

Nick Garnett on the turnround at the German machine tool group

# Gildemeister savours its recovery

second year running.

On the face of it that hardly eems worth much comment. For one thing a return of DM 23.5m (\$12.5m) on sales of more than DM 700m is not going to set the world alight.

For another, virtually the whole of the powerful West German machine tool industry—the second biggest after Japan with 17.7 per cent of world sales in 1986 measured in dollars—has been in the black since the recent recession of the early 1980s.

But other machine building companies have looked on with interest at Gildemeister's development because the group has long been the problem child among Germany's much vaunted cutting and metal forming machine makers.

A mini-grouping of near-autonomous divisions with its autonomous divisions with its strength in turning machines and factory systems, Gildemelster had not been out of the red for more than 10 years until it squeezed out a pre-tax profit of DM 5.3m in 1985.

But scally 1980s when the

By the early 1980s, when the market for its multi-spindle lathes had virtually collapsed and the Japanese were piling into the West German market. Gildemeister lacked the reserves to cope with the world recession.

It added to its own head-aches in 1983 by purchasing Pittler, a loss-making West German competitor which it decided to sell again in 1985. As problems mounted Litton Industries of the US was asked to take a stake (14 per cent) to provide some ready cash. By 1984 the position had got

so bad that Westdeutsche Landesbank, which has 17 per cent of Gildemeister's equity, felt obliged to write off DM 60m of the company's debt and call in an outside consultant to find out what was going wrong. That is why Mr Axel Kemna,

Gildemeister's president, takes a lot of satisfaction when he tells visitors that while the company is still not in the shape it should be, it is now on a profit track from which it will not diverge.

"It has been a big turn-

round, there is no doubt about that," says Mr Kemna, who joined Gildemeister from Deautsche Babcock, the power engineering group, in March

it so quickly."

As a German machine tool company Gildemeister is unusual. Like most of the

family run businesses that fill the country's machine tool sector, Gildemeister has been a quoted company for a decade

and a half.
Unusually, too, it has grown
by acquisition. Its divisions
include Max Muller, a lathe
maker purchased in 1971, Wit-

GILDEMEISTER, West Gerlast year. "I do not thit Bulgaria, accounted for 43 per trols and will remain both a many's biggest machine tool company in terms of sales, has just announced a profit for the As a German machine tool As a German machine tool As a German machine tool Mr Kemna says the boom in It will keep its decentralised West German manufacturing

during the past three years has helped the company but Gilde-meister has also been doing a New products have come in thick and fast, with a big emphasis on first single spindle then multi-axis CNC lathes. The workforce has been cut to 2,000 (with 500 or more

Long the problem

Gildemeister's ability in recent years to

climb out of the

followed closely by

rival companies. But

can Mr Axel Kemna

(left) Gildemeister's

president, continue

pressure caused by

the poor outlook

for order inflow?

weak demand, given

to surmount the

red has been

child within the

West German

machine tool

industry,

structure and will not go for

expansion for its own sake as it did during the 1970s. That did not rule out acquisitions "but our philosophy is profit before turnover," Mr Kemna

adds.
Sales are expected to be down to around DM 650m this year, largely because fees for Projecta whose turnover can fluctuate widely will be lower. Mr Kemna says unit sales of machines (just over 1,000 in 1986) will be about the same but revenue from machine sales will be about 5 per cent

sales will be about 5 per cent higher than last year. In the long term the company expects Projecta to continue to provide around 40 per cent of revenue.

Mr Kemna is the first to concede that Gildmeister has a lot yet to do. "Our aim is to get a good, sound financial base so that we can have a half-way decent life when times are not good," he says.

The deal with Litton was to have lead to the US company manufacturing Gildemeister machines forthe US market but that never happened. Gilde-meister has now been out of the US market — which for lathes is dominated by the Japanese — for two years.

Mr Kemna says there are big opportunities in the US for Gildemeister higher specification automatic lathes which will be offered there this year and Max Muller machines from 1988.

There was still "big potential" for rationalising the group's production facilities. There was also much more work needed to raise Max Muller's efficiency while the group needed more just-in-time production, faster delivery times and more data process-

The one cloud hanging over all this is that West German machine tool companies whose export sales and margins have been hurt by the Dentsch-mark's exchange rate believe that the world market for machine tools this year and next will be difficult.

Orders placed with West German machine tool builders in the first three months of kis year were down by 24 per cent on the same period in 1986. No one is expecting any overall growth in the world machine trail market for the rest of the tool market for the rest of the



zig and Frank-Martin making rotary transfer machines and Gildemeister and Knoll which manufactures deep hole boring machines. It also has a 24 per cent interest (recently reduced from 50 per cent) in Heidenreich and Harbeck, which makes Japanese designed

Makino machining centres. Gildemeister is almost the only European machine tool company that makes its own computer numerical controls and is one of the few machine tool builders offering turnkey project managemet for inte-grated manufacturing.

Projecta, its turnkey division, which among other work has

in partnership companies) from 3,000 at the end of the 1970s. Production has been reorgan-ised and component machining is being concentrated on three

Partly as a result of these changes and the strength of the domestic market, sales per employee have risen from DM 122,000 three years ago to around D M195,000. Investment, excludin gresearch and develop-ment rose from DM 8m in 1985 to DM 19m last year and will be DM 40m this year. The group generated a cash flow over the past two years of DM 65m.

Mr Kemna says the policy of which among other work has the company will remain largely completed an integrated factory unchanged. Gildemeister will for making machine tools in continue to make its own con-

# What's the life expectancy mputer system?

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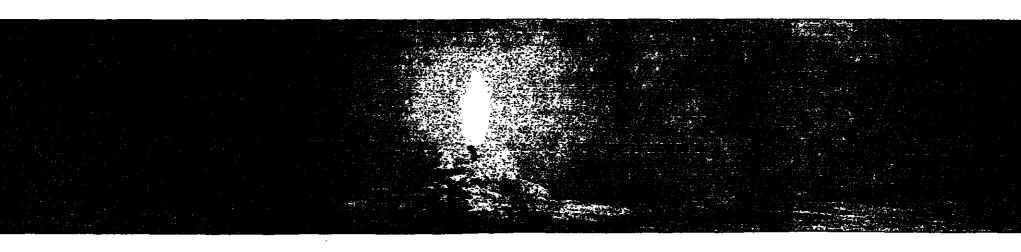
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Can Wozniak and Jobs repeat the success they had with Apple?

IT IS tough to repeat success. new markets for a microcom- plants. Normally, it enables of the California Technology The critics will inevitably computer-based device. The differ-damaging ice crystals to form Stock Letter, a widely read pare the second performance to ence is surely that both on the surface of the plant. But newsletter that follows the for-The critics will inevitably compare the second performance to the first. In the US high tech world this is especially true of the "two Steves" who founded Apple Computer. Both have seperately started new companies that are about to launch first products. How can they wossibly live up to the legendary acclaim they won at Apple?

Steves Worniel's Company Time of the computer power for the masses eleven years ago.

Steve Wozniak's company, Cloud Nine, unveiled its first product this month at the massive Consumer Electronics Show in Chicago. It is a programmable infra-red remote control device designed to end coffee table clutter by combining in one unit control of all ing in one unit control of all your home electronics gear. Two years in the making, "Core," for controller of remote

electronics, can be used to run any consumer video or audio electronic system and can be electronic system and can be pre-programmed to select Corporation has developed a channels, volume settings, special optical system. Called special optical system. Called the Charters Monitoring Sys-tem, this will electronically rechannels, volume settings, recording times and so on.
Priced at US\$199, it is aimed at

The state of the s



"unscale" consumers. Woz's

company says. Also seeking a new fortune among the privileged set is Steve Jobs' Next Inc. Next is expected to unveil its \$3,000-plus college student's work-station at a US computer conference next month. Although details remain a closely guarded secret, Jobs has said that his new computer will fulfil the dreams of students and educa-It has been a rough haul for Advanced Genetic Science (AGS) but finally the Berkeley, California, bioengineering company has managed to demonstrate the potential of "Frostban," a genetically altered bacteria designed to prevent tors for a "3m" machine-with a million bytes (characters) of storage, a million instructions per second computer power and display definition of a million bacteria designed to prevent frost damage to fruit and vege-table crops. pixels (picture elements).

Can either product be com-pared to the Apple II, designed by Wozniak, or Jobs' Macin-tosh? The similarity is that both

cord images of selected portions of the documents. Experts at

the National Archives will use the system to take digital snapof the documents period-

ically and compare new images

The ultra-precise photometer

can detect changes with sensi-

tivity five to 10 times that of the human eye, detecting shrinkage or fading of the docu-

Similar technology is more

micro-miniature circuit patterns

must be measured to tolerances of less than a micron (millionth

the strawberry patch

Pseudomonas Syringae, to give the bacteria its scientific name, is an altered form of a

Cold comfort in

changes have taken place.

to determine what

freezing temperatures. With an estimated \$1.8bn worth of food crops destroyed by frost in the US annually, the potential value of a substance that can protect plants from low temperatures is enormous. Concerns about the con-sequences of releasing an "un-natural" microbe into the environment have, however, put The Constitution The American Constitution is deteriorating. While some might suggest this is the work of those who would add amendments to the Founding Fathers' work, it is in fact the march of time that is taking its fall

AGS through four years of regulatory red tape and legal challenge Finally last month, the comwork, it is in fact the march of time that is taking its toll physically on the venerable document. The Bill of Rights and the Deciaration of Indepany was able to test Frostban

with one gene removed, the substance helps plants to resist



in a strawberry field in California-despite an attack by vandals who tore up the plants, and unseasonably hot weather that did not help.

Initial results are encourag-ing, the company says. The bacteria reduces the likelihood of the plants freezing by 60 per ments that was previously not cent at 25 degrees fahrenheit. More importantly for future tests, the bacteria did not spread beyond the boundaries of the field where it was generally used in semicon-ductor chip production where the fine lines and spaces of

Next tests of the bacteria will be conducted by University of California researchers who originally identified the bac-teria. Their test will take place in Tulelake, California, close to the Oregon border where there the Oregon border, where there is at least a chance of frost in the next several months.

Making marriages of business convenience

Those who would join the ranks of successful entre-preneurs, take note—a "com-puter dating service" designed to match new venture ideas by Wozniak, or Jobs' Macintosh? The similarity is that both represent an attempt to create special representation of the control of the control

tunes of some of the most promising high tech companies in the US.

The new "Venture Capital Connection" aims to bring together potential investors and entrepreneurs whose funds and business plans are too small to attract the attention of the "big boys."
"The professional venture

capital business is very well organised, with big venture funds making big commitments to big new ideas," Murphy notes, "but professional venture capital groups usually won". notes, "but professional venture capital groups usually won't even look at an entrepreneur's business plan if the required funding is less than \$1m." Venture Capital Connection is designed to fill the gap. For a \$200 fee, Murphy will enter details of investor's interests, or entrepreneur's proposals, and search for a match. Already the system boasts several successful "marriages," includsuccessful "marriages," including a company that developed a new brewing process for alcohol-free beer, which got part of its financing from a computer matched investor, and a group of individual investors which provided six-figure financing for a computer matched company developing machine

### An even pace to affairs of the heart

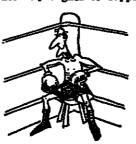
The contribution of microelectronics technology to improving the human lot is rarely clearer than when it is applied to cardiac pacemakers. Semi-conductor chips have dramatic-ally improved the quality of life for thousands of heart patients over the past 20 years. The latest advance in pace-maker technology, from Intermedics of Alantown, Texas, employs a high-performance microprocessor and very sensitive sensing devices to automatically adjust the heart rate

to the body's changing needs.
The "Nova MR" pacemaker
responds to minute changes in the temperature of the blood to slow or speed up the heart body to turn the heart rate up next year.

# EAGLE EYE by Louise Kehoe

or down. As a result, such devices produce step function changes in heart rate, while the Intermedics device more closely simulates natural heart rate changes by sensing the gradual increase and decrease in blood temperature.

Richard A. Gilleland, chair-man and chief executive of man and chief executive or Intermedics, explains that a patient walking up a flight of stairs, for example, will typic-ally experience a rise in blood temperature of approximately eight-tenths of a degree fahren-heit. A minute thermistor heit. A minute thermistor (temperature sensor) in the lead to the pacemaker senses temperature change and pacemaker responds by adjusting the pacing rate pro-portionately higher to support



the increased output of energy. On the trip down stairs, he explains, the change in blood explains, the change in blood temperature will be significantly smaller and the Nova MR will adjust accordingly.

What this means for pacemaker patients is the freedom to lead a more active life. Current pacemakers, although programmable, can only be adjusted to provide a steady heart rate. If, for example, a patient decides to play tennis

patient decides to play tennis or go jogging, he or she will quickly become fatigued because the heart rate is not high enough to supply enough oxygen to the blood to support such activity.

The new pacemaker "has the potential to dramatically advance existing pacing technologies because of its real-time ability to respond to patients' cardiovascular needs in a very customised, very patient-specific way," says Mr Gilleland. He expects the Nova MR to become according to the level of activity of the patient. Other companies have developed adjustable pacemakers, but most of US, where clinical trials have
these sense vibrations in the just been approved, by early

# Japan shoots for new materials

BY PETER MARSH

IAPAN'S fledgling space industry is preparing for an impor-tant test of the country's capability to produce new materials in the low gravity of space flight.

Under the plans of the National Space Development Agency and the Ministry of International Trade and Indus-try, Japan will launch, in 1992, small unmanned platform called the space flier unit, Packed with experiments, this will stay in orbit for several

Helping to prepare the pro-gramme for the flight is a group of about 40 Japanese companies interested in the potential of space-based processing. From a range of industries, these have put up a total of Y600m (£2.6m) to form a consortium called the Japan Space Utilisation Promotion Centre.

Marubeni and C. Itoh; electic their own weight tronics concerns such as The growing industrial Fujitsu, Matsushita Electric interest has been matched by and Nippondenso; machinery firms including Mitsubishi firms including Mitsubishi
Heavy Industries and Ishikawajima-Harima Heavy Industries; ing Y121bn on space activities
construction groups such as compared with Y102bn in 1980.

Most of the cash comes from
Most of the cash comes from

Sheet Glass and Suntory.
Plans for the space flier unit reflect the growing industrial interest in Japan in the heavens as a place for experimental property weekly state. meaning with manufacturing techniques. The low gravity and vacuum of space flight lend themselves, so scientists think, to the production of materials difficult or impossible to make on earth.

on earth.
It may be possible to turn out new types of metal alloys, the constituents of which might refuse to mix under gravity.
Similarly, certain types of
exotic semiconductors could be
made which are difficult to produce on earth, due to the effects of gravity-induced convection currents in the liquids from which they are crystallised. Extraterrestrial workshops may also ultimately turn out

large protein molecules, which may be useful in drugs. These include: trading companies like because they collapse under tronics concerns such their own weight.

increased government funds for space projects. This year, the Japanese Government is speedand chemicals and medical Nasda, which is responsible for for experiments which flies in-products companies — among projects involving satellites side the cargo bay of the space them Ube Industries, Nippon and rockets. Miti, which is shuttle.

space for terrestrial industry, has increased its space budget from Y140m in 1980 to Y8.3bn

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this year. The space flier unit, due to be launched by a Japanese H-2 rocket and retrieved by a US space shuttle, will try out some of the ideas in materials processing that could later be extended in experiments on an international manned space

The space station, likely to cost about \$20bn, is scheduled to enter orbit in the late 1990s. The US, Western Europe, Canada and Japan are all in-volved in both developing and using the base.

Japan's contribution is to be

a laboratory, with room for several people, that will be plugged into the main US spine of the orbiting facility. Esti-mated cost of the Japanese module is between Y200bn and

Y300bn.
As another prelude to the space station, Japanese industry is to take part in a set of spacebased experiments larg organised by West Germany.

In this programme. West Germany is due to hire from the US the Spacelab orbiting laboratory, a set of hardware for experiments which flies in-

# Bit-by-bit entry to the optical store

SANSUI ELECTRIC, the Japanese company best known for its hi-fi equipment, is jointly to develop an optical disc system with US company Laser Drive of Santa Clara, California.

The system will use a similar high capacity medium to CD-ROM (Compact Disc Read-Only Memory), namely

a 5.25 inch platter that is written and read by lasers. Unlike CD-ROMs however which after recording are cords in a factory and carry fixed data—the new system will allow progressive record-ing by the user until the disc is full. The data cannot be erased, but can be played hack at any time. Each disc can hold the equivalent of 350,000 A4 typed documents.

Attachable to a wide variety of personal computers, the system is expected to cost about \$3,000. Sansui will deliver the first optical and mechanical subsystems to Laser Drive in September.

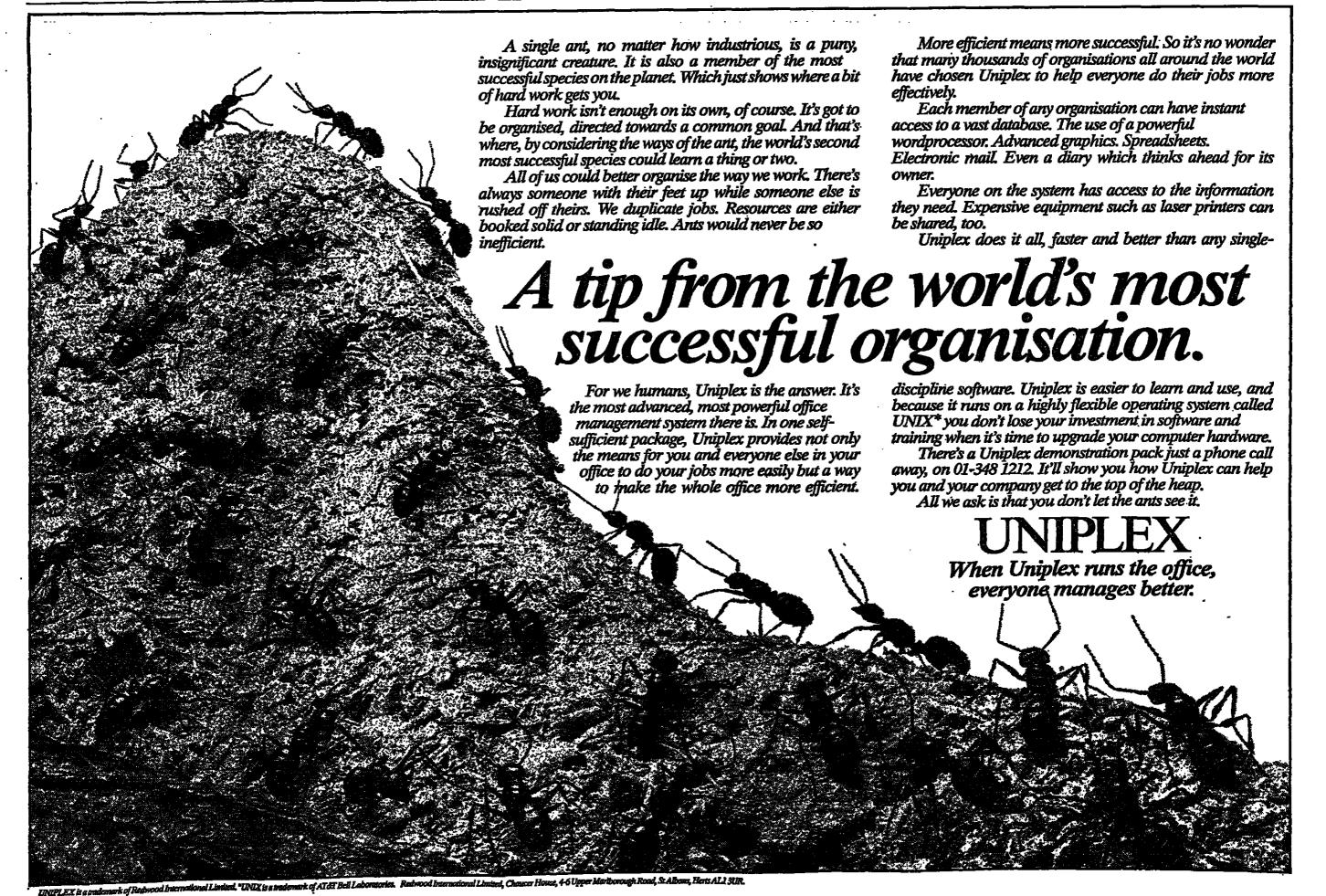
# Ceramic gains in superconductivity

CERAMIC SUPERCONDUCTOR developments may svertake projects that were planned with the "old" metallic alloy materials that worked at much lower temperatures. In the US, for example, some doubt must now exist about the Super-

conducting Super Collider (SSC), an atom smasher that will need very large numbers of superconducting magnets to achieve the magnetic fields required.

The companies, too, that make the eld alloys are

thinking again. schmelze in Germany, a Siemens subsidiary, has been quick to report that it has produced samples of the new ceramics. It insists, however, that no marketable products will be available for five to



**Patents** 

# Only the beginning of a long battle

Charles Batchelor on the inventor's principal line of defence

"A man had better have his patent infringed, or have anything happen to him in this world, short of losing all his family by influenza, than have a dispute about a patent." The Master of the Rolls. Ungar v

Fred Hope, managing director of Hope Technical Develop-ments, a small Berkshire-based designer of commercial vehicle designer of commercial vehicle equipment, might be tempted to agree with these remarks.

Hope fought a four-year patent battle with Quinton Hazell, then part of the Burmah Group, over a bumper designed to stop a car from running under the tailgate of a heavy truck in a pile-up, Both sides claim they hit upon the idea first.

White Paper on Interiously white Paper of Interiously and Innovation which proposes a radical simplification of patent law. It seeks to move responsibility for hearing patent actions from the High Court to the Patent Office on the grounds that this would be cheaper and quicker. Not surprisingly, the lawyers have objected.

The problems of patent pro-

"I fought it as long as I could," says an embittered Hope. "I sold off assets even though my bank and my accountant said it would be suicide to fight. When you invent something, it breaks your heart to give in."

Hope says a shortage of funds finally meant he had to agree to stop making the first under-

to stop making the first underrun bumper he designed. The two companies reached a stand-off over a second design which Hope is now manufacturing, but the inventor is still concerned the company could resume legal action if it wanted. Burmah, which has since sold

Quinton Hazell, rejects Hope's accounts of events, saying a settlement was reached in 1985 because Hope's expert advisers accepted they could not win the could be resumed.

Hope remains convinced. Hope remains convinced. Parker, of Andrews, Byrne & however, that he was the small Parker, patent agents and comman squeezed by a more power-ful rival. "I have spent more than £80,000 over the past 24 years patenting my ideas and I have never had this problem before," says Hope. "We have always sat round a table and sorted it out in the past."

patented it it has been given no advance publicity—so the agent is forced to act quickly.

"He will not be familiar with the background and he does not have the time to carry out a

— itself a costly and time-baked patent."

Nor are all large companies consuming process — may only Mistakenly, many companies bent on squeezing the small bent on squeezing the small inventors believe businessman out of his just

Patents are intended to protect the idea behind a new protect the idea behind a new protect or process. The inventor tends to be overcome by the is given a monopoly to exploit brilliance of his invention but a his idea for a number of years duct or process. The inventor is given a monopoly to exploit his idea for a number of years in return for publishing the details so others may work on further refinements.

The obstacles facing the inventor were recognised by the publication last year of the White Paper on Intellectual Property and Innovation which

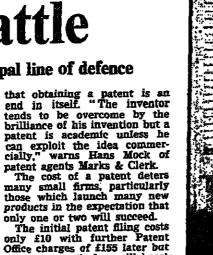
The problems of patent protection affect large companies as well as small but it is the smaller business in particular which lacks the resources to defend its creative skills. And while innovation was once seen as the preserve of the large corporation it is increasingly regarded as being a particular strength of the small firm.

Despite horror stories about

lengthy legal battles very few patent disputes reach this stage. But there are other pit-falls for the unwary small business attempting to protect its ideas The difficulties start because

many small companies do not plan ahead or realise that patents are only a part of a broader marketing strategy. "The small firm usually goes to a patent agent (who advises case and not because Hope lacked resources. The company describes as "an irrelevance" Hope's fears that legal action to a patent agent twin auxises on making aplication to the Patent Office in the UK and elsewhere) when it is about to show its latest property an exhibition," says Eric mercial invention developers. An invention can only be patented if it has been given no

sorted it out in the past." have the time to carry out a Hope's difficulties are a vivid search to see if it is infringing reminder to the individual insomeone else's patent. All he ventor or the innovative small can do is to get the patent on company that gaining a patent file. You have at best a half-



a patent agent's fees will boost the total cost for a UK filing to

£1,000 to £1,200. Maintaining the patent means annual fees

must be paid while extending cover to other countries adds considerably to the charges.

Part of the problem is that the patent charges come at a

time when a company may be spending heavily on developing

Timing a patent application can also be tricky. It usually takes 18 months from filing the initial application until the patent is published and another 18 months until the patent is

granted. But the decision to proceed with the patent application—and for which other countries patent cover will be sought—must be taken within 12 months of the initial filing.

"The problem is that many

companies may not appreciate

where their markets will be," warns Mock. "They may pay

several thousand pounds to file in the EC or the US but they may be wasting their money."

Williams says he advises clients to do as much work as

possible on their inventions before making an initial filing

so that the clock does not start

ticking until the commercial

applications of the idea are

more obvious.
Once the idea is patented

unscrupulous competitors are

likely to be less of a problem than companies which have

often fail to realise that other people will be thinking along

to fill the same market gap.

Nor are all large companies

same lines and attempting

the product anyway.

Fred Hope: has spent £80,000 over the past 24 years patenting his ideas

rewards. "There are responsible a larger group the path will large companies which will look not necessarily be smooth. It after the small man," notes is not unknown for the larger David Votier, president of the Chartered Institute of Patent Agents. But he acknowledges that many others will say "We'll test it in the courts."

John Williams, a patent agent, agrees that "a not negligible proportion" of cases will be disputed. If it comes to a fight with a bigger company he urges the small company to cut its losses. "You will probably lose if you get into a battle with somebody

stronger," he warns.
One small British company has spent the past 10 years fighting an overseas group through the courts, claiming it had stolen an invention covered by patent. It claims the foreign company was quite cynical in its approach.

"The finance director came and said: 'We have looked at your finances and don't believe than companies which have you can fight us. We will go simply hit upon the same idea on making this product until at the same time. Bound up you stop us "," says the managwith their own work, inventors ing director of the British often fail to realise that other company. "I seriously doubt company. "I seriously doubt whether the small inventor gets any protection from the patent system whatsoever. I feel I Even if a small company

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is not unknown for the larger partner to squeeze the small man on the terms of royalties or to fail to meet the payments agreed. To enforce his rights the small man would once again be forced to go to the courts. The smaller company can

strengthen its position by taking out legal protection insurance to cover its patents. The knowledge that the small man has cover may be enough to deter the would-be infringer. Brian Raincock, managing director of the Legal Protec-

tion Group, estimates that 3,500 people have taken out cover with his company. Inventors can cover themselves for up to £250,000 in an individual patent action.
"It does free the small entre-

preneurial company from the fear that the big man will brush him aside." says Raincock. "The patents manager of one large multinational complained to me that this made it more to me mat this made it more difficult to pinch small companies' ideas," he adds.
Petent Office, State House, High Holborn. London WC1. Tel: 01-831 275. Chartered Institute of Patent Agents. Staple Inn Buildings, High Holborn, London WC1V 7PZ. Tel: 01-85 9450.

A Manager's Guide to Patents Trade Mark and Copyright, John F. W. 168 pages, 512.95, Kogon Page. agrees to a licensing deal with

Management buy-outs

# Striking the right bargain

Charles Batchelor offers advice on how to conduct negotiations

all, it is usually a once-in-a-life-time event. Second. t're existing owners of the buy-out unit—the parent company or the controlling family—have become more aware in recent times that they can strike a hard bargain. In addition, compaction has become more intense from roving teams of managers ready to stage a "buy-in" and from rival companies prepared to make a competing bid.

about aquiring ownership as well as management control of the company they work for? What are the pitfalls they must

Those are many practical reasons—financial, taxation, legal—why buy-outs do not go ahead, but as many fail because of personality clashes and an inability on the part of the two sides to communicate effectively as for any other reason. The smaller the buy-out team the better. Experienced advisers

in this field suggest that between two and five members is best so as to avoid disagreements within the team, to speed up decisions and to reduce the risk that its credibility will be damaged by one of the managers succumbing to another more attractive job offer. The team should establish

early on whether, in principle, a buy-out is feasible, to avoid asting time and money on fees to professional advisers.

The advisers themselves should be chosen for their pre-

become very popular over the and they should be involved at walk and must plan carefully past decade. But this does not mean that the management for a slight increase in fees but teams have found them any content to the management to the management for a slight increase in fees but the business elsewhere, that the management to the long run save finance is available and that easier to achieve.

First, managers lack experience in handling a complex transaction of this kind—after all, it is usually a green and the structure of charges should be easier to achieve.

Managers should be they are not breaching contractual agreements with their employer.

The management team's hand ture of charges should be egged.

ture of charges should be agreed from the start. One of the most difficult problems for the managers is that they are negotiating the deal with their bosses. It is not unknown for managers who propose a buy-out deal to get the sack. They face psychological pressures and the fear that if the deal does not go through, their career prospects within the parent group will

be harmed. This problem can be partly overcome by appointing one of the independent advisers to head the negotiations. He will be less worried about upsetting

the boss.

The managers must be prepared to persevere. It will take on average nine to 12 months from the initial idea to the ex-changing of contracts, although some deals have taken up to two years to complete. At one moment the negotiations will be going smoothly, at the next they may appear to be on the point of being called off. The management team should beware of letting the professional advisers dictate totally the pace of the negotiations.

management—in, for example, financial or computer services or consultancy—the team can often effectively use the threat of a walk-out to improve the terms of the deal or ward of rival bidders.

This cannot be used as an empty threat, however, since the agement Buy-Outs, Woodhead-bluff may be called. The Faulkner.

MANAGEMENT buy-outs have vious experience in this area managers must be prepared to

itself into the position of the vendor. Who else could the business be sold to and on what terms? Would it be more advantageous to the vendor to put the business into receiver-

put the business into receiver-ship or liquidation instead of selling it? This rarely is the case since large redundancy payments might be triggered.

Arranging the finance is a crucial part of the deal. M/1-agement teams should make sure they borrow enough—too sure they borrow enough—too little could force them to refinance at an early stage or even mean the company fails. They should select their sources of finance carefully but beware of touting the deal too widely round the City since this

can give it a shop-soiled look.
Care should be taken in dealings with the company's exist-ing financiers. They may not be prepared to continue to finance the operation on the same terms since there may have been guarantees provided by the parent company which will have to be renegotiated.

Finally, much attention will have to be paid to the business plan. If the company is unable to produce the profits and the cash flow to pay off the high level of debt it has taken on, a successful buy-out may soon become a commercial failure. Useful reading: Guide to

Management Buy-Outs 1986-87, The Economist Jublications £45. Spicer and Peglers' Man-

# In brief ...

A SCHEME to provide up to £5,000 of free consulting services to small businesses, launched by accountants Peat Marwick McLintock, has attracted more than 60 appli-cations and the final date for entries has been extended to July 31.

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Strong management and customer base MD wishes to develop other interests but could remain as a consultant - Turnover £360,000 Easily run from well appointed offices in London

Write Box H2167, Financial Times 10 Cannon Street, London EC4P 4BY

### VEHICLE BUSINESS FOR SALE

An opportunity to acquire a designer and manufacturer of specialist yehicles company, located close to the south coast.

The Company has a full order book. Principals only please reply to Box H2168. Financial Times. 10 Cannon Street, London, ECAP 4BY

### CONVOY WOOLLEN COMPANY PLC (IN RECEIVERSHIP) FOR SALE AS A UNIT

The business and assets of Convoy Woollen Mills, a well established woollen and worsted manufacturer of cloths and apparel fabrics for the home and export markets are offered

apparel fabrics for the home and export markets are offered for sale as a unit and as a going concern.

The assets for sale include factory premises and warehouses (held either freehold or on long leases) on a substantial site at Convoy, Co Donegal, Ireland.

The assets comprise a full range of vertical laid-out plant for the woollen and worsted industry which is in prime working condition.

The operation has a skilled and experienced workforce. Interested parties should contact: John Donnelly, Receiver and Manager Convoy Woollen Mills

Deloitte Haskins & Sells Fitzwilton House, Wilton Place Dublin 2 - Tel: 01-765153 Telex: 93956 - Telefax: 789660

Brochure available on request from interested parties or their professional advisors

**Deloitte Haskins+Sells** 

# Haulage Contractor Freight Forwarder

Stockport, Cheshire

The Business, business assets and goodwill of the following companies are offered for sales-Dow Freight Services Limited Dow Freight Forwarding Limited Dow Insurance Services Limited Dowman Commercial Vehicles Limited

The companies operate from freehold sites in Stockport and Swindon, and a leasehold site in Stockport. The principal activities include continental and U.K. haulage, freight forwarding and servicing of commercial vehicles.

There are approximately 50 employees, producing an annual turnover of approximately 5.7 million.

For further details contact Mike Jones on 061-236-9565 or write to the Joint Administrative Receiver, David Harrison at Deloitte Haskins & Sells, Bank House, Charlotte Street, Manchester MI 4BX

Deloitte Haskins+Selfs

# 盈 Wholesale Delivery Cash and Carry

and the following the transfer of the contract of the contract

The wholesale delivery and cash and carry business and assets of L&M Cash and Carry based in leased premises of 19,000 sq ft in central Cambridge is offered for sale. The approximate annual turnover is £2 million. Wholesale delivery services 140 established customers. The company is a member of the Target Group and the Producers Importers Association. Offers will be considered for the whole or part of the assets and undertakings of the business.

For further information please contact the Administrative Receiver:

M. Palios, Arthur Young, Parker's House, Regent Street, Cambridge CB21DB. Tel: 0223 66332 Telex: 817711 AYCB.

**Arthur Young** A MEMBER OF ARTHUR YOUNG INTERNATIONAL

MANUFACTURER OF LASER **BASED VIDEO PROJECTOR** 

**SYSTEMS** St. Neots. Cambridgeshire Dwight Cavendish Displays Limited The Joint Administrative Receivers offer for sale the business and assets of Dwight Cavendish Displays Limited. Features include:

Alastair Jones, Joint Administrative Receivers.

\*Products capable of projecting TV, video or computer generated graphics
\*Patents applied for \*In house design capacity
\*Pacifities for testing, production and demonstrations demonstrations. For further details contact Nigel Luckett or

**KPMG** Peat Marwick McLintock 45 Church Street, Birmingham, B3 2DL Tel: 021-233 1666 Telex: 337774 Telefax: 021-233 4390

HEAVY VEHICLE OVERHAUL COMPANY FOR SALE

The company, based in S.E. has a turnover of £16 million. Although currently loss making it has substantial asset backing and potential for recovery with further rationalisation.

For further information, please contact: Nigel Challis Peat Marwick McLintock Acquisition Services (licensed dealer in securities).

**KPMG** Peat Marwick McLintock

1 Puddle Dock, Blackfriars, London EC4V 3PD Telephone: (01) 236 8000 Telex: 8811541

# **Leisure Centre** For Sale

The centre, which has approximately 1,600 members, comprises a full suite of health and fitness rooms including a swimming pool, seven squash courts, together with a function room, dining room and lounge bar facilities. The assets include an extensively refurbished freehold property with approximately one acre of land and is situated in the West Midlands close to a large commuter population and with excellent motorway links.

For further details please contact-R. Hale, Robson Rhodes, Centre City Tower, 7 Hill Street, Birmingham B5 4UU. Tel: 021-643 5494. ROBSON RHODES

Chartered Accountants

# CHRISTIE & CO

NORTH OXON

FREEHOLD. BEAUTIFUL PERIOD SRASSERIE & RESTAURANT. High
Street position of pretty market town. Seets 70+ with small flat/office.
Tkgs (250,000 inc. Appointed to a high stendard. SENSIELY PRICED
AT (215,000. Ref: (2/5035/z). LONDON OFFICE 01-799 2121.
BORDERING OXON BORDERING OXON
MID VICTORIAN HUNTING LODGE. 3 ACRES GROUND REG 25
established 5 years as a high quality nursing home. Extensive owners
accom. Fass £200/£230 pw with 30% of the residents currently
supported by the DHSS. £1,000,000 Freehold. Ref. 5/0812/FT.
BEDFORDSHIRE
HIGH QUALITY NURSING HOME REG 31. Estab. 1982. Adjoining
residence recently acquired and pp obtained to link this to the
nursing home providing turber accom. Fees £210/245 pw. T/O
£350,000, £1,300,000 Freehold. Ref. 5/0624/FT.

50 Victoria Street, London SW1H 0NW

Tel: 01-799 2121 Fax: 01-222 0081

# **Businesses For Sale**

IMPORTANT MOTOR TRADE OPPORTUNITY LINCOLN

A HIGHLY PROFITABLE PETROL SALES OUTLET with Tyre and Exhaust Workshop, Car Wash Business in prime High Street location Petrol sales circa 760,000 gallons per annum Company for sale by way of transfer of whole of share capital

The Old Custom House Market Place HULL HU1 188 Tel: 0482 23030 Fax: 0482 224289



PORT FACILITY

Group plans to dispose of subsidiary Co./Port Facility in Southern England. Golng concern/assets only.

Principals only please in strict confidence to the Chairman Write Box H2137, Financial Times

10 Cannon Street, London EC4P 4BY MAGAZINE --- NEW YORK

Internationally successful publishing concept launched in New York late 1986 available for outright sale or possible joint venture

> Write Box H2142, Financial Times 10 Cannon Street, London EC4P 4BY

### Businesses For Sale

### PLASTIC EXTRUSION MANUFACTURER

Group wishes to divest above business to enable property development to commence autumn '87. The division has: \* Leading position with high volume consumer products
\* Long established Connection with fast developing DIY and garden multiple retailers

Exciting new products



\* Turnover £1.9 million with excellent mergina Please write to: John Polmaar DAVID GARRICK 39 Queen Anne Street, London W1M 9FA Tel: 01 486 8142 Telex: 8954102

The Professionals in buying & selling companies Control of the second of the second of the second

### COMPUTER ACCESSORY DISTRIBUTION COMPANY

- \* Two unique products that can be used by every YDU operator
- \* Developed and manufactured in Britain.
- Ideal, range extension for office supply company, computer dealers or enterprising start up.

Write to Box H2143, Financial Times 10 Cannon Street, London EC4P 48Y

### High Tech Information System

Offers are invited for a fully developed instant access parts retrieval system based on laser videodisc and touch screen technology. Launched with a high level of interest from the automotive and Launched with a high level of interest from the automotive and aerospace industries. The system is unique and is the subject of a patent application. The project requires further capital and marketing expertise. The company whose sole asset is the system or the undertaking itself are offered for sale by tender.

Plessa contact: K. G. Baldwin Esq.

Peter Graham & Co (Chartered Accountant)

The Wilson Building

I Curtain Road LONDON EC2

Talenbook 181-247 1128 Exy. 01-247 1159

Telephone: 01-247 1128. Fax: 01-247 8159
where the system is available for demonstration by appointment. Tenders close 7th July 1987.

### FAST EXPANDING ELECTRONICS COMPANY

Designing developing and manufacturing own products for: 1. DATACOMMUNICATIONS — systems for linking and networking TELECOMMUNICATIONS — special equipment for British Telecom INDUSTRIAL CONTROLS - automation systems electronic and

pneumatic

Budgeted sales for year ending September 1987 of £1.7 million with profits of c. £250K after degreeration. First profitable year after three years of reorganization and product development.

Strong growth potentiel from existing blue chip customers. Committed management team wants to rement and grow the business. Location: North Heritardshire at M25/M11 junction.

Controlling shareholder can only devote part-time attention and will consider any constructive proposals for outright sale, majority sale, merger or flotation.

Replies to Res #2155 Financial Times

Replies to Box H2156, Financial Times 10 Cannon Street, London EC4P 4BY

### FAMOUS COUTURE DESIGNER

Managing Director of successful subsidiary of public company has been given opportunity of separating from parent company. Suitable for sale with Managing Director holding minority interest. Going concern with own retail outlets and sales to all top stores. Current sales £1 million with tremendous development prospects with expansionist purchaser. Structure not suited to management

Principals only: Reply to Finance Director, c/o Box H2146, Financial Times 10 Cannon Street, London EC4P 4BY

### A NURSING & REST HOME GROUP

**NORTH EAST** 

A Home Care Group consisting of two Nursing and three Residential Homes is offered for sale in the North East. Currently registered bed capacity is 111 with planning permission for immediate exponsion by a further 70. Potentiel exists to increase this number to 284 beds and 24 sheltered units. The area is one of high demand and being within a 15 mile radius the present operational management structure can be built usen.

Sole selling agents are David & Co.
Interested purchasers should contact John Keily on 01-879-1414

# INDUSTRIAL PARTNER WANTED

Exciting specialised small high technology electronics company with world leading technology which is successfully being licensed worldwide seeks an industrial partner to maximise exploitation of current and new products. The company is profitable with no debt burden and well positioned in terms of technical ability, but would welcome sales marketing and management skills from an industrial partner in preference to the development capital route Please write in confidence to Box H2165 Financial Times, 10 Cannon Street, London EC4P 4BY

**FOR SALE** 

# EXHIBITION DISPLAY AND SHOP FITTING CONTRACTOR

Established 20 Years TURNOVER AM

Committed management team interested in selling or merging with Company with complementary skills. Principals only well be replied to - For further details write to: Box H2149, Financial Times, 10 Cannon St. London EC4P 4BY



# **SELLERS and BUYERS**

Contact in confidence: DIVERCO LTD. 4 Bank Street, Worcester WR1 2EW. Tel: 0905 22303

# POPCORN PLANT FOR SALE

150 lb/hour Savoury & Candy Coated Popcom Production Line with all ancilleries.

New in late 1983 and little used. Excellent condition.

Details from C. J. C. Derry Brownlow House, 50/51 High Holborn London WC1V 6EG Tel: 01-405 8411 Telex: 897377



# SOUTH DORSET ENGINEERING COMPANY

FOR SALE due to the proposed retirement of the owner: Precision Engineering Company specialising in small fabrications. Established 1959. Turnover approx. £360,000. Modern Industrial unit of 8,800 sq. ft.—approx. market value £250,000. Labour force of 8 skilled and 12 unskilled staff.

Write Box H2151, Financial Times 10 Cannon Sueet, London EC4P 4BY



# SMALL FARM

South Shropshire borders with panoramic views of Welsh Marches. Small cottage in sheltered south facing position, traditional barn and 141 acres of land with additional if

of land arthur required.
Offers in the region of £170,000
Bot: TBV/06143
Berrington House, Hersford
Tel: 0432 267213

### **PREMIER** SOUASH CLUB (South-West)

Attractive six-court club with full membership and good profit record—for sale.

YORKE BUSINESS DEVELOPMENT CONSULTANTS Silver Birches Bashurst Hill, Itchingfield W. Sussex RH13 7NY Tel: 0403-790500

### FOR SALE

Small Engineering Company in specialist drilling products sold direct to users—oil companies, civil engineering and construction companies and British Coal. Turnover £250,000. Eight employees. Profitable but doesn't fit with PLC owner.

Write Box H2160 **Financial Times** 10 Cannon Street London EC4P 4BY

### OIL IN A DAY'S WORK

For Sale: Brand new, state-of-the-art chemical processing For Sale: Brand new state-of-the-art chemical processing plant with proprietatry technology. Plant's product—calcium bromide—a must for oil field drilling. Plant being offered by court-appointed trustee under anti-trust order. Very attractive terms including "at cost" supply contracts and mineral rights option. Once in a litatime opportunity for venture capitalists, entrepreneurs and others focusing on oil-related investments. Write: P.O. Box 3472 Church St. Station, NY NY 10008

### ARTESIAN MINERAL SPRING WATER

Motorway intersection. Land available for bottling on 1% acre atte. For Sale or Lease.

Write Box H2141, Financial Times

FOR SALE

PROPERTY COMPANY

OF INTEREST TO A PLC

Private Yorkshire-based, with invest-ment portfolio and development programme. Rental Income: £102,050 not c.a. Valuation of curront invest-ments and developments: £2.2 million. Shares for sale in return for cash or equity.

Write Box H2144, Financiel Times 10 Cannon Street, London EC4P 4BY

LONDON HOTEL FOR SALE

50 room hotel with short lease.

nearly modernised, in excellent location in Central London.

Write Box H2164, Financial Times

10 Cannon Street, London EC-P 43"

FOR SALE

CONSUMER AND PERSONAL FINANCE

LONDON

FOR SALE

**Retail Pharmacy** 

Chain

Several Million Sales

Write Box H2159, Financiel Times 10 Cennon Street, London EC4P 4BY

**PROFITABLE** 

SUNBED MANUFACTURER

For Sale. With £1.8m T/O, due to concentration on other existing interests. Plant and Machinery £85K. S.A.V. and goodwill.

Replies to: Box H2138, Financial Times 10 Cannon Street, London EC4P 4BY

LIVE BUTTERFLY FARM

AND EXHIBITION GIFT SHOP

Unique and delightful business at a major south coast resort for sale to approx £150.000 pa. Lease 50 years. low rent. Enormous potential for working owner. Price £150.000 (not negotiable, immediate sale).

Please phone (096321) 645 office boors

# U.K. DISTRIBUTORSHIP

only please apply to:

erai

for exclusive designer range of paper tableware. 200 prime blue chip retail accounts plus

SPECIALIST

IRON FOUNDRY

Offers are invited for a well

established business occupying a

7-acre site, current turnover

over £4m p-a. in a niche market segment. For further details (principals only) reply to:

Hepworth & Grandage Ltd

L. Milnes

BD4 8TU

St. John's Works

Bradford, West Yorks

ATTENTION

ENTREPRENEURS AND

**VENTURE CAPITALISTS** 

FOR SALE
Brand new, state-of-the-art chemical
plant with proprietary technology.
Plant's product—calcium bromide—
a must for oil field drilling. Plant
being offered by court-appointed
trustee under anti-trust order. Vary
attractive terms including "at cost"
supply contracts and mineral rights
option. Once in a lifetime opportunity for venture capitalists, entrepreneurs and others focusing on
oil-related investments.

-related invastments, Write P.O. Box 3472 Church St. Station, NY NY 19908

MAJOR TRAVEL GROUP

for sale in South of England

business operating through sev-

£10 million turnover, Principals

Mr. R. Manning

43 Lancelot Road, Welling, Kent

respected and motivated

well sited offices.

Principals only to: David Payne FCA, 98 High Street, Tenterden, Kent TN30 6JB Tel: 05806 5222

### TILE IMPORTER

For sale as a going concern 7,000 square feet of Distribution warehouse and shownooms with retail outlet in Middands adjacent to Motorway. Excelent import connections that could be developed to advantage of purchaser. Company has tax fosses qualiable.

Write Box H2154, Flancial Times 10 Cannon Street, London EC4P 4BY

### FOR SALE **Old Established** Glazing Co. t/o £800,000 pa London based

Fully computarised business with cash turnover of E300,000 p.a. Telephone: 0245 268775 Write Box H2158, Financial Times 10 Cannon Street, London EC4P 4BY

### SMALL PROFITABLE COMPANY

Established 1950
IMPORTING AND MERCHANDISING
INDUSTRIAL MINERALS
Turnover in excess of E1,000,000
Seeks increased outlets or would

# PROPERTY VALUATION

Provides a unique valuation service for pic's and local authorities. Ideal for expension within existing pro-Tramendous potential but owners fessional office/building society. too busy effect, building cociety. too busy effect, but office c t50,000 for present and future potential. Write Box H2140, Financial Times 10 Cennon Street, London EC4P 4BY

EXPRESS DELIVERY, STORAGE AND DISTRIBUTION COMPANY E. MIDLANDS Well established private company producing at least £120,000 net profit per pretax and directors. Management continuity and freehold warehouse available. Substantial offers required. ncipels only to Box H2150 cial Times, 10 Cananon Street London EC4P 4BY

### WATERSPORTS Retail and Site Management

Long established. £300,000 p.a. T/O Home Countles. £85,000 plus S.A.V. Freehold available

Write Box H2079, Financial Times O Cannon Street, London EC4F 48Y

# EFFLUENT TREATMENT

### A private company with good track record in design and construction of efficent treatment and CHP plants for sale due to rationalisation of existing group activities. Current turnover approaching £2m Write Box H2166, Financial Times 10 Cannon St. London EC4P 46Y

# Business Services

# **COMMERCIAL FUNDS**

available \* Property Development \* \* Investment Properties \*

# Project Funding \* \* Refinancing

We also have good quality property development projects which require equity funding by private investors. High potential return

Call: CAPITAL CONSULTANTS (UK) LTD Worcester House, Dragon Street Petersfield, Hants GU31 4JD Tel: 0730 68122 - Fax: 0730 64710





# **MEXPRESS** COMPANY RESISTRATIONS LIBRTED Sworth House, 25-35 City Rt. Landon ECTY 144 Telephone (11-588-3271 Telephone (11-588-3271

HRECT MAIL LISTS & SERVICES—100: of ready-made lists intracdately avail-able. Suppliers to leading UK companies. Free catalosue. Marketsan, Preepost. Chichester, Sussou. Tel: (0234) 78671.

# Business Opportunities

# ESTABLISHED SPECIALIST ENGINEERING COMPANY

Located in East Midlands Turnover circa £800,000. Good order book, operating from 20,000 sq h Factory, Existing management available
Require equity capital of £100,000, alternatively would consider streight sale
Associated freehold sits. 5 acres with factory could also be made available Write Box F7444, Financial Times 10 Cennon Street, London EC4P 48Y

### Businesses Wanted

### **Definitely Alive**

Capital Reward

Are you the owner of a well managed manufacturing company with a good profit record which has now reached at least £150,000 per annum? Are you looking to continue to run your company and expand it further, but are unsure about USM,

We are an expanding public company in the manufacturing sector still small enough to have consideration for each of its subsidiaries. We offer you a capital reward for bringing us your company; the environment for achieving your planned expansion; and further rewards for achieving it.

Please write to us now in complete confidence, All replies

will be forwarded to us unopened from:

Box No. 404, Streets Financial Communications (Midlands) Ltd., Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

### **ENGINEERING DESIGN** CONTRACTING BUSINESS WANTED

sevicing the Aerospace and Advanced Technology markets. Outright purchase, major interest or funding for management buy-out will be considered. Write in confidence to: Frank A. Powell

MOHACS INTERNATIONAL LIMITED Hanover House, 76 Coombe Road Kingston upon Thames, Surrey KT2 7AH An Advanced Technology Transfer Resourcing Comany

### RECRUITMENT/ADVERTISING

### AGENCY/CONSULTANCY

### **BUSINESS WANTED**

Fast-expanding, diversified £5m+ turnover consulting group seeks further acquisitions in recruitment/selection/search or advertising agency business. Funding available if necessary. Outright purchase or major interest.

Write in confidence to Box H2022, Financial Times 10 Cannon Street, London EC4P 4BY

### **GENERAL STEEL** STOCKHOLDERS

Substantial Private Company wishes to acquire for cash STOCKHOLDERS LOCATED IN THE MIDLANDS AND SOUTH Minimum turnover £3m Replies treated in strictest confidence to: Box H2155, Financial Times

### TRADING COMPANY

10 Cannon Street, London EC4P 4BY

We are coal traders acting both as principal and agent wishing to expand our trading side. Preference will be given to energy-related products. Will consider either an outright purchase of an existing company or an agency relationship. Principals only need apply.

Your proposals in confidence to Box H2153 Financial Times, 10 Cannon Street, London EC4P 4BY

# MAJOR INTERNATIONAL PUBLISHING GROUP

wishes to acquire business magazines, directories, trade exhibitions or appropriate publishing company as part of current expansion programme. Both UK and international

Replies in first instance, please, to Box H2139 Financial Times, 10 Cannon Street, London EC4P 4BY

### WANTED TO ACQUIRE SMALL BROKERAGE FIRM OR LICENSED LONDON STOCK **EXCHANGE MEMBERS**

Our client wishes to acquire a Shell Company or small operating firm with the requisite licences as London Stock Exchange members or as licensed dealers under the FIMBRA

Please reply immediately in strictest confidence to: Box F7352, Financial Times, 10 Cannon St., London EC4P 4BY

SUCCESSFUL PUBLIC COMPANY already a Major Importer of Garments from the Far East wishes to buy an Established and Profitable

GARMENT IMPORTER SOURCING FROM EUROPE Would require Management to remain in place

Principals only please write to: Box H2136. Financial Times 10 Cannon Street, London EC4P 4BY

# PLASTICS EXTRUSION MANUFACTURER

We wish to acquire on behalf of a substantial overseas client a small manufacturing company in the UK. Assets/liabilities of the company are not a major criteria. Principals only apply to the: LAWRENCE PARTNERSHIP

Chartered Accountants
Oxford House, 9-15 Oxford Street, London WIR IRF

# TEXTILE AUXILIARIES

and £2m who wish to sell their equity or part exchange for technical advice/manufacturing-distribution capability. Advertiser markets into the textile industry but wishes to widen base. Confidentiality guaranteed. Write Cheirman, Box H2145, Financial Times 10 Cennon Street, London EC4P 4BY

### PLC SEEKS ACQUISITIONS WITHIN THE SERVICE INDUSTRIES Are you a proprietor within the Security, Cleaning or Catering industries with a turnover of at least fim? If so we would like to talk about the future and what a successful and growing ple management structure can offer. Make contact through Box 2152, Financial Times

# DO YOU WISH TO SELL A BUSINESS?

10 Cunnon Street, London EC4P 4BY

A company wishes to acquire businesses curronly involved in the manufacturer and/or supplying and marketing of products to the UK rotail D.I.Y. trade. Listed groups wishing to divest of a subsidiary company in this field or private limited companies which would like to join and operate within a new group are of particular interest. Please send initial written details outlining main market activities and Box H2162, Financial Timos

10 Cannon Street, London EC4P 4BY

### Expanding Public Company

Our activities include the whole-sale distribution of branded consumer goods and industrial/ engineering products through a national network of depots. As well as generating internal growth we intend to continue our acquisition programme.
We are seeking well managed. successful businesses where the owners wish to release capital but continue to operate their companies autonomously and expand within a fast moving and profitable group. We will

expect minimum profits of £150,000 per annum. Reply to Chairman Box No. H2157 Financial Times 10 Cannon Street London EC4P 48Y

# A FOOD MANUFACTURING

COMPANY is looking to acquire a compatible food manufacturing organisation to supplement its continuing growth. We are a profitable manufacturing and distributing company and part of a major plc-

Please reply in strictest confidence Box H2148. Financial Times

# 10 Cannon Street, London EC4P 4BY

MAJOR PLC

WANTS TO ACQUIRE companies in concrete technology and repair and related activities. Any size considered. M. A. Sharpes. Thomson Business Brokers 11 Palmer Street

# **PLC**

London SW1H QAB

WISHES TO ACQUIRE CASH-RICH COMPANIES AND LARGE CASH PRODUCERS

n the first instance please write to Box H1985, Financial Times 10 Cannon Street, London EC4P 4BY

MAJOR FIRM

SEEKS ACQUISITIONS Commission/fee income between E250,000 and 25m pa considered - Write Box G10280, Financial Times to Cannon Street, London EC4P 45Y

### Contact: M. I. Makin FCA

42 Upper Berkeley Street London W1H 8AB or telephone 01-823 7293

EXPANDING PLC Wishes to acquire Property

In the first instance please write to Finance Director Box H1922, Financial Times 10 Cannon Suest, Landon EC4P 4BY

# **SPECIALIST**

MANUFACTURER Wishes to acquire similar, profit c £100,000 for further expansion.

Replies to: Box H2147, Financial Times 10 Cannon Street, London EC4P 48Y



Following the DIVIDEND DECLARATION by the Company on 9 April 1987 NOTICE is now given that the following DISTRIBUTION will become payable on or after 16 June 1975 cents 3.75

Converted at \$1.68

£0.018973214 Claims should be lodged with the DEPOSITORY; National West-minster Bank PLC, Stock Office Services. Third Floor, 20 Old Broad Street, London EC2, on special forms obtainable from that Office. United Kingdom Banks and Members of the Stock Exchange should

All other claimants must complete the special form and present this at the above address together with the certificate (s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 16 June 1987

3.1875 cents

EAST RAND GOLD AND URANIUM COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 71/70001/06

RESULTS OF MEETINGS OF MEMBERS AND DEBENTURE HOLDERS

HELD ON JUNE 11 1987.

Members and debenture holders are advised that, at meetings which were held on June 11 1987, the resolutions, as set out in the notices included in circulars posted on May 15 1987, were passed, and the special resolutions have been registered by the Registrar of Companies. Accordingly, of the 7 921 288 unissued ordinary shares of 50 cents each in the capital of the company, 6 000 000 of such shares have been convariable in the capital of the company, 6 000 000 of such shares have been convariable of such 5 ordinary shares of 50 cents each. A total of 2870,000 of such 5 ordinary shares are reserved to meet the rights of debenture holders to convert their debentures into 5 ordinary shares in the conversion periods set for 1967 and 1988 respectively, and according to the conditions applicable to each such period already ennounced.

Copies of this announcement are being posted to members and debenture Johannesburg at their registered addresses.

PAYMENT OF DIVIDEND

Single
Per column
line cm
(mm. /min.
3 lines) 3 cms)
£ Appointments 12.00
Commercial and industrial Prop. 6.00
Residential Prop. 9.50
Business Opportunities I3.00
Investment Opportunities Business For Sale/
Wanted Personal Motor Cars, Traval Contracts, Tenders 12.00
Books Page Panel 43.00 41.00 25.00 32.00 44.00 44.00 41,00 32,00 32,00 41,00 2,1,0 30,00

Premium positions available
29 per Single Column om extra
(Minimum 30 cms)
All prices exclude VAT For further details write to: CLASSIFIED ADVERTISEMENT

# AUSTRALIAN SEEKS UK **OPPORTUNITIES**

Australian businessman seeks small but up-market business in UK with view to its further expansion. Anything considered — service

import, manufacturing. Ring 01-628 6225 or 01-692 9797

industries, catering, export/

# PROFITABLE PLC

We are a profitable pic and wish to expand by acquisition in the manufacturing or industrial distribution sectors. We are looking for companies in the small to medium size range with pre-tax profits of up to firm. Arrangements for acquisition can be based on cash or equity or a suitable mix. All replies will be treated with the utmost confidentiality.

Principals only to reply to: Principals only to reply to: Box H1721, Financial Times 10 Cennon Street, London EC4P 48Y

### FUNERAL DIRECTORS

Any area or size considered

Nash Broad

Development Companies, Housing Companies, Contracting Companies or combination

Company Notices



Gross Distribution per Unit Less 15% U.S.A. Withholding Tax

mark payment of the dividend in the appropriate square on the back of the certificate.

# COMPANY ANNOUNCEMENT EAST RAND GOLD AND URANIUM COMPANY LIMITED

SODE

BANK LEUM! (UK) PLC

US\$10,000,000 Undated Primary

Capital Floating Rate Notes

The interest rate applicable to the above Notes in respect of the interest period commencing 16th June 1997 has been fixed at 8%

per annum.
The interest amounting to US\$40.67
per US\$1,000 and US\$406.67 per
US\$1000 principal amount of the
Notes will be paid on 16th December 1987 against presentation of
Coupon No. 4.

NOTICE TO HOLDERS OF WARRANTS S. T. CHEMICAL CO., LTD.

U.S. \$25.000.000 24 PER CENT.
GUARANTEED BONDS
DUE 1992 WITH WARRANTS
(THE "WARRANT")
TO SUBSCRIBE FOR
SHARES OF COMMON STOCK OF
S. T. CHEMICAL CO., LTD.

BANK LEUMI (UK) PLC

Principal Paying Officer

### MERCURY SELECTED TRUST (SICAV)

from whom claim forms may be obtained United Kingdom tax will be deducted at the rate of 27 per cent unless claims are accompanied by an affidavit.

CLASSIFIED ADVERTISEMENT **RATES** 

MANAGER
FINANCIAL TIMES
10 CANNON STREET, EC4P 48Y

SHARES OF COMMON STOCK OF

S.T. CHEMICAL CO., LTD.

S.T. CHEMICAL CO., LTD.

Pursuant to the relevant provisions of Clause 3 and 4 months of Clause 3 and 5 months of Claus as Principal Paying Agent S. T. Chemical Co., Ltd. Dated: 16th June. 1987.

# 10 boulevard Roosevelt Bolte Postale 408 L-2014 Luxembourg

PAYMENT OF DIVIDEND

Notice is hereby given to Shareholders that following a Resolution
passed at the Annual General Meeting of Sharehours and the Annual General Meeting of Sharehours of Sharehours of Sharefor the Globel Fund and
USSO.03 per share for the United
Kingdom Fund have been declared.
These dividends will be paid as
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MERCURY SELECTED TRUST

# A draughtsman with a dextrous wit

world — an artist, a teacher world — an artist, a teacher and, that awesome creature, an intellectual. He retired from the Royal College of Art last year, where he succeeded Carel Weight as Professor of Painting in 1872. While not setting the world alightern and the results of the world alightern and the professor of the professor of the world and the professor of the professor Painting in 1972. While not seting the world alight nor shifting significantly its general politics alone that makes figurative inclination, the Guernica a masterpiece.

Painting School under his direction has maintained its the overwhelming mass of the position, primus inter pares as a centre for post-graduate

To do as much in such straightened times, with the Royal College under pressure to move away from the fine towards the applied and in-dustrial arts, was no small achievement. He is also a scholar of the modern movement, with definitive studies of his particular hero, Fernand Léger, to his name, and enjoys that enviable deference the British seem prepared to allow Marxist critics of a suitably Gallic provenance.

But it is the artist who concerns us now, for he declared himself as such only

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concerns us now, for he declared himself as such only sparingly and at extended intervals. His current retrospective exhibition at the Camden Arts Centre (Arkwright Road, NW3: until July 26) therefore, is not to be missed. There we discover not a painter at all but depurity. a painter at all, but a draughts-

This is not to say de Francia is not a painter, for a few paintings are included (and further reference is made to his full-dress schemes and compositions in the booklet that accompanies the show) but these are unimpressive brothel that intrigues him, or laboured on the surface and merely a group of his friends

Peter de Francia is still a straining after an intellectual agure of some considerable or imaginative significance. He consequence in the British art would be a painter in the grand would be a painter in the grand way of Guttuso or Beckman, Plcasso or Léger, engagé on the side of the secular angels of our times—for the workers against the fascists and down with the bourgeoisie. Which is all years well but it is

> The drawings, which supply the overwhelming mass of the show, are quite a different case. They present at first a somewhat dense and uniform impres-sion, but an ostensible chrono-logy soon establishes the suites and sequences of images whether set upon given or invented themes or direct observation — that characterise de Francia's way of working. A deep knowledge and under-standing of the human figure is evident, and one of the chief delights, especially of the more recent work, is the light, deft wit with which that knowledge is exploited, sometimes to the point of making us laugh aloud. There is nothing here so heavy handed, either in tech-

nique or in the formal quota-tions from his masters, as in the paintings, though the in-forming ideas often remain serious enough. There is a quality of mannered exaggeraquality of mannered exaggera-tion, amounting at times almost to caricature, that sometimes obtrudes a shade too much, but for the most part it is judged to a nicety. The principal dangers with these ironical teasing, humorous, felicitous works are only those of easy recetition and self-parody. repetition and self-parody.
It might be the bizarre, mundane sociability of a Tunisian



"Minotaur," 1979, by Peter de Francia

deed, or again, the latest variation of one his Classical or liteation of one his classical of his-rary themes, but all have their particular and delightful moments. Daedalus demon-strating to Queen Pasiphae the machine he has made for her by which she may enjoy the bull is a most particular tableau that lives long in the mind's eye. To draw so well is remarkable, and there is no hierarchy that requires such work to be anything more than just itself. The small exhibition in an adjoining

lounging the day away beneath room, of drawings and prints by old arrangement with Mrs Juda, the trees, a bourgeois idyll in- a number of the Professor's deed, or again, the latest variation of one his Classical or lite- point to his distinction as an artist than as a teacher.

> After several years in part-nership with the Annely Juda Gailery, the Rowan Gallery has now returned to its old home in Bruton Place, off Berkeley square, where it will now coming home. The inaugural operate in partnership with the Mayor Gallery of Cork Street as the Mayor Rowan Gallery. The move is especially welcome, albeit there was no fault in the lower gallery, which could

are three "English Profiles,"

over-views of composers James

Wood, Daryl Runswick and, as

presented in two substantial

programmes at the Union

Chapel, N1, on Sunday, of Gavin Bryars, a figure who has been dominant in "experimental" music-making in this

country for years, but never enjoyed the wider prominence here that he has steadily gained

It was instructive, therefore, and entertaining, to be treated to some 10 of his works written between 1977 and this year, my

objection being merely that eight would have probably

slow tempo), or at any rate that five and a half hours on wooden

on the Continent.

whom we all wish well, because the old Rowan Gallery was blessed with one of the most beautiful and effective spaces in London in which to show off contemporary art to the greatest advantage. Director Alex Gregory-Hood now has it at his disposal once more,

Gavin Bryars/Almeida Festival

Paul Driver

A brief word in conclusion about an opportunity that might not come again for very many years: the late, great Turner Seascape, Folkestone, circa 1845, that was sold a year or two ago to a private collector

hardly be more ravishingly appropriate to the occasion. This new work marks a significant moment in the slow, immaculate, inexorable development of Miss Riley's imagery. The essential structure of regular vertical stripes or columns remains, which lies close to the pictorial surface and generates a shallow space. The colour, too - close-toned, bright and intense in hue and optically active, greens, yellows, pinks and blues — is much as we have come to expect over recent years. But what is en-tirely new is the superimposi-tion of a diagonal system across the vertical, not so much a structure as a veil or screen that fractures the more solid vertical stripes behind almost to the point of dissolution. The effect is not to render the pictorial space more ambiguous but to make it much deeper, to push those columns away from the surface and to penetrate through to the infinite space beyond. We begin to think of the tree trunks of Cezanne and Seurat, and perhaps of the mountain far away.

two ago to a private collector for a then world record sum in excess of £7m from the estate of the late Lord Clark, is on show at Agnew in Bond St, newly cleaned, until the end of the month. It is a most wonderful thing, all spray and mist, smoke and light, swell and roll, painted with the freest of hands. Go and see it in perfect daylight while you can. daylight while you can.

# that was a bar early or a bar late—and even when that happened, the LSO players. which can be heard as a kind of organic, dramatic preparation for the final period of lyrical exhaustion and darkness. The performance, by the late—and even when that happened, the LSO players, diehard professionals that they are, took no notice, and came in precisely where they ought.

Turnage/Wigmore Hall

Shostakovich/Barbican Hall

Symphony American cellist Gary Hoffman

kovich's oeuvre.

American cellist Gary Hoffman, had fine presence and projection. I specially liked his ruminative way with the concerto's central section and spiritual heart—a delicate and half-optimistic shadow slanting, like a ray of filtered sunlight, across the heavy irony of the whole. The whole of the concert's second half was given to the 13th symphony—earlier than the cello concerto no. 2.

than the cello concerto no. 2, but the first explicit (as distinct from endlessly implicit) sign of musical and ideological grief in the whole of Shostor

grief in the whole of Shosta

Petkov was the bass soloist in the symphony, and London Voices were the male choral support. Shostakovich fils made a good bravura showing, only

very occasionally bringing in the instruments with a gesture

The Swiss-Bulgarian Dimiter

Dominic Gill

The London Symphony Orchestra's "Great Russian Masterpieces" series continued on Sunday with a Shostakovich

programme conducted by the composer's son Maxim Shosta-

kovich. Shostakovich fils is not

a particularly inspiring, nor even a particularly good, con-ductor: but he has a presence, and a kind of nostalgic alchemioal force, to inspire from his

players at least a very decent simulacrum of the greatest music his father composed. The programme opened with

the second cello concerto—a work which takes its place in

the calendar as happining just before "late-period" Shosta-kovich proper (the premiere was given in 1966, shortly before the composer suffered that crucial heart attack on his 50th highlight, but a late work

forth birthday); but a late work, the melancholy and fleeting shadows of which permeate every corner of the music, and

### Andrew Clements

The Nash Ensemble's intelligent and enterprising pair of programmes juxtaposing Ives, Third Symphony vintage) with Copland and Crumb with works blues inflections and ecstatic by living British composers melismata; its success in conby living British composers has been rewarded, almost predictably, by painfully small audiences. Last Wednesday's concert, on which Max Loppert reported brought a new work from Jonathan Harvey. Sunday evening's introduced a Nash commission from Mark-Anthony Turnage, Beating About the Bush.

About the Bush.

Turnage is working on an opera to be staged in Munich based upon Greek, Steven Berkoff's East-End reworking of the Oedipus myth. Written in September and October last year, Beating About the Bush is a study for the opera and a potential extract from it, an aria for mezzo-soprano and chamber ensemble which uses a monologue from the second act of Berkoff's play in which the wife of the latter-day Oedipus describes a particularly passionate bout of love-making with rich (if fairly conventional) imagery.

ventional) imagery.
Turnage's vocal writing sets

result is sometimes uncannily like Tippett (of Knot Garden, veying that ecstacy is inter-mittent, and there is a strange dichotomy, perhaps deliberate, between the febrile mezzo part and the matter-of-fact, almost dowdy instrumental writing.

Jean Rigby was a thoroughly convincing, hazily seductive soloist. Earlier she had given an equally alluring account of Crumb's Night of the Four Moons, as self-consciously poeticised as any of his scores and just as consistently insubstan-

The Nash's playing was splendidly vivid throughout. They had begun with a commission first heard at the Bath Festival a year ago, Simon Holt's clarinet quintet Burlesca Oscura. It promises to wear exceptionally well; the sequence of dark, forbidding images—generated, the composer suggests, from a painting by Goya—and the inventive use of the ensemble give it a highly out to capture the sensuousness distinct identity, whether or not of the text in gratefully contoured, wide-ranging lines. The vincing, coherent structure.

# Dance in Italy

### Freda Pitt

By early June, most Italian in jumps, it was possible to opera houses are shutting up admire their commitment as shop. La Scala, Milan, now well s their stylish technique. laudably continues its opera season into July, but the last dance production took place in May with Heinz Spoerli's ver-sion of La Fille Mal Gardee as Patricia Neary's bowing-out offering after her resignation obstructiveness from over various quarters.

One of her virtues has been the encouragement of promising young dancers, which caused resentment in the senior ranks. She has also had to contend with the labyrinthine bureaucracy that defeats most directors from outside Italy. Robert de Warren has been

named as her successor, reportedly on the recommendation of Rudolf Nureyev.

At the Rome Opera, the season came to an ignominious end: after a month of strikes and recriminations, attention was so entirely concentrated on the lost opera production that a whole ballet programme disappeared without trace. If the house possessed a resident ballet director—William Cartary absence through illness ter's absence through illness, which led to changes in the earlier programmes, has not yet been officially admited—things might not have reached

In Florence, the Teatro

Comunale rather rashly presented its own small company as part of the otherwise grandoise 50th anniversary Maggio Musicale. It was entermaggio musicale. It was enterprising of Egon Madsen, the
new director, to get Georgette
Tsinguirides to stage John
Cranko's Mozart ballet
Concerto for flute, harp and
orchestra for the first time out-

side Germany, but the work requires virtuosity of a high order from a group of male dancers so it proved much beyond the company's resources. An Aterballetto trio performed Aureli Milloss' Perassi work Estri, in the same programme, as a homage for the choreographer's 80th birth-day. Though Hungarian by birth, Milloss has spent several decades in Italy, where he made his mark principally on account of his frequent collaborations with contemporary Italian designers. The festival also

organised an exhibition of designs made for Milloss ballets by artists such as Guttuso, Severini and Cagli, Guttuso, Severini and Cagli, but the latter's decor was, ironically, absent from the Aterballeto staging.

Bolshoi prinicpal, Vyacheslev Gordeyev, who is taking his Moskovsky ballet to the new Turin International Ballet Festival in late July — headed a group of eight Soviet dancers who brought a programme of

In order to see a less reachmedown Soviet ballet programme in Italy, it will probably be necessary to await

the Kirov's visit next June, so far announced by the Regio in Turin and the San Carlo in Naples. In the meantime, Kirev director Oleg Vinogradov has been engaged to mount the dances in Borodini's Opera Prince Igor at the Teatro Filar-monico in Verona this Decem-The Teatro Petruzzelli in

Bari has no company of its own but habitually includes a cer-tain number of dance productain number of dance productions in its programmes. Having prefaced its opera season with a gala at which Mikhail Baryshnikov and Alessandra Ferri made brief appearances, they presented three French companies in the second half of May: the Ballet du XXE. Siecle, and Roland du XXE. Siecle, and Roland
Petit's Ballet National de
Marseille in two works that
have already been reviewed.
Maurice Bejart is something of a Janus figure in that on the

one hand he is known as a populariser, while on the other hand he frequently tackles abstruse subjects that demand pages of programme-notes, since what happens on stage rarely reflects the theoretical material.

The Petruzzelli was probably wise, therefore, to print only the briefest of notes on this occasion, for to recognize some of the characters' names added little to one's appreciation or enjoyment. It is one thing to assume an acquaintance with the story of Cinderella, or Romeo and Juliet, leaving dance to speak for itself, and another to presuppose a detailed knowto presuppose a uctaneu anow-ledge of the life and works of Andre Malraux, even when frag-ments take pride of place over movement. The very title, Mal raux ou la Métamorphose des Dieux, induced a tendency to discuss the subject-matter

rather than its treatment.

Bejart knew the theatre, so he must have realised that most of the speech would not carry, partly because of the unusually large auditorium and partly because of the imperfect diction of many of the dancers, several of whom are not native French speakers: Marc Hwang and Elji Mihara took the central roles of Tchen and Kyo, for example. At all events, Philippe Lizon, Michel Gascard, Serge Campardon, and Jorge Donn as the Hero, were among those who were given the opportunity to shine as dancers, in the usual distorted classical idiom. Lynn Charles—a new acquisition, from John Neumeler's Hamburg ballet-performed the one solo mostly familiar excerpts to the female role, that of Death, Like pocket-sides Teatro Ghione in all the women, she was ele-Rome. Despite the tiny stage, gantly dressed by Gianni Ver-which seriously restricted the sace, whose contribution was bewhich seriously restricted the sace, whose contribution was by dancers' movements, especially far the most successful.

# Opera on the Rhine

### Ronald Crichton

The new Cunning little vixen at Cologne shows the German operatic machine functioning at its smoothest. Janacek's fantasy, combining humans and animals, is not easy to stage. Harry Kupfer's production, with a setting by Hans Schavernoch and costumes by Reinhard Heinrich, technically minutely detailed, went on the first night their mark, So did Robert Bork without hitch or stage-hands' in the short but rewarding role

In a prison-like space with high brick walls slatted at the sides, cut-out trees in jagged black silhonette slide ceaselessly back and forth. The trees are mostly used to indicate another part of the wood. Once when they form and reform for the shooting of the vixen by the poscher Háraschta, they take part in the action. No hope here for forest nostalgia: urban civilisation is just round the nervous, corner. Janacek's nervous, sharp-pointed music can take Janácek's this, but hie visual effect is rest-

There is no interval. The opera benefits accordingly, but e restlessness is accentuated. We all know that in a wood peopled with animals and insects nothing is ever still, but there is peace and relaxation as well. With those qualities Mr Kupfer is stingy. The animal costumes vary from what are surely the best-ever dragonflies to the worst and fussiest dachshund, Lighting was Brecht-

Gerd Albrecht conducted. The fine Gürzenich Orchestra played vivdly and keenly, so keenly that words were sometimes obscured — Hans Hartleb's obscured — Hans Hartleb's German translation was used. The vocal team-work was impressive, properly dominated Entführung.
by the forester of Roland No point, by the forester of Roland No point, really, in elevating Hermann, more tense and nervy Planché above his literary

than most-again, one noticed a station. If you upgrade the lack of relaxation. Janice Hall's Oberon text you risk down-vixen started squeakily but soon established a character. As her superior way, Weber respected mate, a potentially unconvinc-ing role, Roland Outland was unusually definite. As parson Düsseldorf Weber's chivalrous and downtrodden school master, style, naive as well as nobie, Ulrich Hielscher (a useful bass) and Martin Finke made

o fthe poacher. Alas, poor Oberon! Attempts to finker with Weber's last opera, a musical jewel set in tuppence - coloured theatrical paste, seem doomed to mistire. For their new production at Disseldorf, the Deutsche Oper am Rhein invited three theatre men from the Di Pöppelreiter, Wilfried Werz and Hant-Jochen Irmer, respectively producer, designer and "artistic collaborator"—to stage a new translation and arrangement by Karlheinz Gutheim and Wilhelm Reinking. Between them and five cooks have kneaded and pummelled the English writer Planché's feeble but not hopeless fairy-spectacle to a shape judged, I suppose, more becom-ing for Weber and the German poet Wieland who was Planche's

starting point. In this ingenious but misguided version, an English country-house owner of bookish cast invites his guests to watch and take part in an opera. To explain what they are doing he recites quantities of Wieland or near-Wieland. As an elaborately umbrageous set which might be the hall and library revolves behind them, they dress up in oriental finery, act, sing and dance. Mansfield Park tangles with Mozart's Die

rick Raitery and William Dooley mistreating the French language in the leading roles. Further perfor-mances of the La Bohème revival, with Ilona Tokody and Cynthia Hey-

superior way, Weber respected the stuff for what it was—the Germans add fairy-plays too. At

simply foundered.
The conductor Johannes
Winkler (also from the DDR) dealt vigorously with the more extended numbers but allowed the short pieces to which the score owes much of its enchantment to go limp. Rezia the Caliph's daughter and her hero Sir Huon were solidly (in the tenor's case sometimes too solidiy) sung by Carla Pohl and Raimo Sirkiä. The best singing came from Manfred Fink as the elf-king and from Christina been enough (all 10 were at a Hagen, surely a genuine con-tralto, as Fatima.

# Arts sponsorship worth over £100.000

A national programme of years to 17 venues. arts sponsorship valued at over English Estates £100,000 has been set up by also allows for the English Estates—a company specialising in the development and management of industrial and commercial property.

It is to back four arts organisations to bring a range of the arts to more than 30 regional

centres. The Northern Sinfonia will give 10 sponsored concerts and the Royal Liverpool Philharmonic seven in northern and Midland venues. The Plymouth Theatre Royal

will be the base for a pre-London musical production in the autumn, and an exhibition. Introducing with Pleasure, for which 12 celebrities have chosen paintings and sculptures from the Arts Council's Collection, will tour during two

English National Opera, Coliseum: Shostakovich's Lady Macbeth of

Mtsensk provides the company with one of its most brilliant and exciting

shows of recent years. David Pount-

ney produces, Mark Elder conducts; Josephine Barstow in the title role

Josephine Barstow in the title role makes this an experience not to be missed. Also in repertory: Pountney's rubbish-dump Carmen, an empty, boring response to the piece, with Jean Rigby and Arthur Davies game but finally defeated in the leading roles; and Ornbeus in the Underworld, notable for its complicated Gerald Scarfe sets rather than for genuine Offenbachian wit and satire.

**NEW YORK** 

New York City Ballet (New York State

Theater): More than 40 works by Balanchine, Robbins Peter Martins

and other choreographers will be part of the two mouth-long 86th sea-son, including two new works by

Martins set to music by Handel and

# Commemorating

A wide-ranging event commemorating George Gershwin's death 50 years ago is to be mounted at the Barbican Centre from June 21 to July 15 by the London Symphony Orchestra and the Guildhall School of Music and Drama. American conductor Michael

English Estates sponsorship also allows for the purchase of two new works for the Collection.

Tilson Thomas is artistic director of The Gershwin Years, which is sponsored by the London Daily News.

# George Gershwin

tet, and was as effective as could be expected when intimate ruminative music is projected in a large church.

Les Fiancailles and Efforene
are extrapolations from major projects or which Bryars has with the dramatist Robert Wilson. The first piece is a hypnotic, lush connubial nypnotic, insh connucial was clearly graspatic it deau-reverie (for solo strings, pianos pan. Roger Heaton gave an recaled salon-music, Satie, and oustandingly eloquent account the Messiaen of Quatuor pour of the solo part in Allegrasso, la fin du temps — it began a bizzare rapt survey of the life as a scene intended for clichés of the romantic Wilson's opera Civil Wars; the clarinet concerto.

# Among the diverse attractions benches in a cold church is second is a compilation of the current Almeida Festival severely long.

of the current Almeida Festival severely long.

The earlier concert included a couple of pieces which are a couple of pieces which are available on a recent ECM disc: First Viennese Dance and String Quartet No 1, unusual and beguiling sound-scapes both. The Dance is misleadingly titled (nearly all Bryars compositions take titles whose significance outruns the music in one way or the other): music in one way or the other):
it is not remotely dance-like but
a rayishing succession of longbreathed sounds from a solo horn and mostly tuned percussion (including bowed gongs and crotales), each given all the time in the world to decay. The piece is like a musical halo. Michael Thompson, standing in for the French hornist Pascal Pongy, played beautifully; the musicians of Music

Projects/London were con-ducted by Richard Bernas. The String Quartet is one of Bryar's best successes — a "minimalist" texture of simple figures such a harmonic minor scales, but subtly worked and varied: near the end each player retunes two of his strings to produce a delicate scordatura novelty. This per-formance was given by the newly formed Balanescu Quar-

arias and other materials from Civil Wars and the opera, Medeo using a manner that seemed like luscious parody of French 19th century opera (the excellent singers were Nicole Tibbels and Mary King, the two pianists required in the ensemble Leslie Howard and Martin Jones).

Seemed is the operative word, for one never knows in Bryars's music whether the surface style often one of glutinous sentimen-tality, is to be taken seriously or not. The sub-texts of the pieces are usually complex and intriguing—The Cross Channel Ferry, which was given during the later concert, performed by the Gavin Bryars Ensemble (making its début) is full of puns and private references, the jazz-parody My First Homage hardly less so; the texts alone of Efforene involved Marie Curie, the Lebanese poet Etel Adnan, a Latin poem about photography written by a pope, and Jules Verne's 20,000 Leagues Under the Sea. The promise of a rich play of irony is held out for the music itself, but somehow, strangely, that irony is regularly drained off, and we are left with deliber-ately vacuous statements that

bear as much relation to the full conception of a piece as a pretty postage-stamp bears to a letter. The piece I enjoyed most was Out of Zaleski's Gazebo (1977-78) for two pianos and eight hands. Bryars and Dave Smith joining the other duettists. Here ironic humour was clearly graspable if dead-pan. Roger Heaton gave an

# Arts Guide

Opera and Ballet

Royal Opera, Covent Garden: The dull,

Music/Monday. Opera and Ballet/Tuesday. Theatre/ Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 12-June 18

Michael Torke, Ends June 28. Lin-

Michael Torke, Engs June 26, Lin-coln Center (870 5570). Setropolitan Opera: The 21st season of free park concerts opens with Toses conducted by Garcia Navarro with Placido Domingo, Marilyn Zsan and Sherrill Milnes. Great Lawn, Central Park (Tue), Prospect Park Baselking (Wert) Paris Opera Ballet (Metropolitan Opera House); Rudolf Nureyev's new production of Cinderella takes place

production of Cinderella takes place in Hollywood in the 1930s. Lincoln Center (362 6000). Ends June 28.

# **NETHERLANDS**

lam, Muziektheater, The Netherlands Opera presents Die Fleder-maus directed by Johannes Schaaf and designed by Andreas Senast and designed by Andreas Rein-hardt, with the Concertgebouw Or-chestra under Nikolaus Harnon-court, the National Ballet choreographed by Jürg Burth, and solnist Brigitte Poschner (Rosalinde), Werner Hollweg (Eisenstein), Christian Boesch (Frank), Eve Lind

(Adéle), and Neil Rosenhein (Alfred).
(Mon, Wed). (255 455). The National
Ballet with Screnade (Balanchine/
Tchalkovsky) and the premieres of
two ballets created for this year's
Holland Festival: Symphonies of the
Netherlands (Van Manen/Andriessen) and To Bend or To Break (Van
Dantzig/Metjering). (Tue, Thur).
(255 455).

(255 455), materdam, Sociarijn Theatre (Linna-custraat 2), Bantu music and dance from Zambia (Tue), and Uganda (Thur). (56 88 500). instendam, Stadsschouwburg, Nina Wiener and dancers with Transat-

with the depth of the control of the roure for De Hexe Production (Tue to Thur). (239 112).

# WASHINGTON

American Ballet Theeire (Opera House): Cynthia Gregory, Marianna Tcherkasaky and artistic director

Mikhail Baryshnikov return for the spring season of mixed programm spring season of minest programmes including company premieres of Sunset choreographed by Paul Tay-lor to music by Elgar. Kennedy Cen-ter (254 3770). Wolf Trap: Houston Ballet performs Sleeping Beauty (Tue, Wed) and mixed programme (Thur). Vienna, Va. (703 255 1868).

Stantsoper: Wozzeck conducted by Ab-bado with Behrens, Gonda, Grund-heber, Raffeiner, Langridge, Vienna Boys Choir: The Marriage of Figaro conducted by Zagrosek with Ken-mer, Ghazarian, Sima, Lilova, Sasa-ki; Otello conducted by Fischer with Beckanova-Cap, Hintermeier, Atlan-tov, Cappuccilli, Kaloudof, Vienna Boys Choir; Tannhänser conducted by Klobucar with Connell, Meier, Si-ma, Moll, Kollo, Hyaninen, Vienna

Boys Chair. (51 444/26 55). olksoper: Kleider machen Leute Hoffmanns Erzählungen; Der Frem-Hoffmanns Erzählungen; Der Frem-denführer. (51 444/26 57).

# mon alternating in the title role; and The Berber of Seville with Lucia Valentini Tarrani, Leo Nucci and Paata Burchuladze, heavy, unstylish new production of Massenet's Manon by Rudolf Noelte has Julia Migenes, Neil Shicoff, Pat-

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Tuesday June 16 1987

# An eloquent warning

THE FAILURE of the Venice summit has made no visible dent in the complacency expressed in its communique. Everyone has agreed on policy co-ordination—even though only Japan is actually doing anything about it—the Louvre accord on exchange rates is in good order, West Germany is forecasting stronger growth, and we are soldiering on with the debt problem. Everything, by implication, will gradually This is not a mood which will

survive an open-minded reading of the annual report of the income than the Bank for International Settle. has yet achieved. ments, which makes it plain, in clear and even witty language, that the world economic situation is deteriorating and fraught with grave risks, and points the way to safer ground.

The central bank governors, whose collective wisdom it is supposed to represent, are no doubt familiar with the report. It should be obligatory reading any ministers or senior officials who have not yet seen it. They may find that it entails some quite painful revision of fixed ideas, but in a literary sense the task should be almost

a pleasure. The risks are so familiar that they need only be listed briefly: a disorderly collapse of the dollar, a retreat into protectionism, and a cumulative world recession, and quite possibly all three.

### Buck-passing

What the BIS stresses is that the present strategies, relying on monetary policy and exchange market intervention, cannot for long reduce these risks unless they are supported by policies which the market sees as likely to set the world on a path back to equilibrium. This is because there is no evidence that lower interest rates will offset the effect of declining demand in the highexchange rate surplus countries, while intervention against the wind of market sentiment has limited credibility. It can buy time only for as long as the market believes that the time is being used constructively.

The current debt strategy is also designed to buy time, and remaining imbalances, the the BIS detects "signs of correction can proceed quite the BIS detects bankers and debtors. While the time has been used to some purpose in terms of debt reconstruction and the development of new policies for recovery, these measures will work only if the world market is growing at a reasonable rate. Meanwhile monetary policy in the US is partly paralysed by the

**Brazil returns** 

risk of imposing any further burden on the debtors. The solution, according to the central bankers, must involve an active use of fiscal policy. The surplus countries should be stimulating demand for purely selfish reasons; their economie have slowed sharply, and they face rising unemployment. The US should be taking active steps not only to cut its fiscal deficit, but to stimulate personal saving. Recent evidence suggests that the private sector in the US is doing much more to reduce that

The stress on enlightened rie sires on emigreneous self-interest rather than the rhetoric of co-ordination is shrewd; as the report points out, the attempt to harmonise policies often ends in misunderstanding and irritation—and, we might add, a great deal of co-ordinated buck-passing.

income than the Government

### Starker language

The message will still be unpopular in many quarters, because fiscal rectitude is a general objective, and has all too often been over-simplified to mean deficit targeting as the primary aim of policy. This can have a deadly effect when growth and revenues fall short of expectations, and govern-ments respond with deflationary

pose of abandoning fine-tuning in a period of high inflation was to restore the cutting edge of fiscal policy. This is a pointless exercise if the weapon remains unused when it is needed.

Ministers may be tempted to see the whole report as an exercise in buck-passing by the cen-tral bankers, and cling to their doctrines. They should ask themselves instead one simple question: do the facts support the BIS's gloom over growth; and if they do, how can con-

As the BIS argues, one pur-

fidence be restored? Because the question is one of confidence, rather than of filling some measured hole in world demand, the required policy changes could prove quite modest; as the report argues, once a change of trend is visible, so that private capital flows will willingly finance the

There is dangerously little time, however, to initiate it. It and only be hoped that this report—and others, yet to be published, which may put the warning in starker language will create the sense of urgency at the September IMF meet-ings which was so lacking in

# Disinvestment from South Africa

# Inside, doubt takes root

generated more heat and foreign television audiences less light than the agonised debate over foreign ments based primarily on the disinvestment from South Natibes has about the stable of the stable Africa\_

In the West, anti-apartheid

campaigners continue to apply

pressure on companies to pull out. Last month even the Rev. apartheid leader who had argued for the reforming role of American business in South Africa, threw in the towel and called for total withdrawal.
Inside South Africa, the white
government remains adamant
that it will not be hurried on the path to reform by foreign business pressure, even as over assets left behind by the But behind these well-rehearsed postures, there are signs of change, most notably among the increasingly power-ful black unions, Last weekend's decision by

Ford to discuss with local trade unions and its partner the Anglo American group the sale of its 42 per cent stake in the South African Motor Corporation (Samcor) looks like bringing some of these changes out into the open.

Over the last 18 months at

least 78 US companies—includ-ing blue chip names like IBM, General Motors and Exxon, and ueneral Motors and Exxon, and a clutch of European companies, including Britain's Barclays Bank—have left South Africa.

Their boards came to the conclusion that their South African subsidiaries were simply not that their departure would prorected whites-only election, which returned the National black businessmen, as with Party to power with a large majority, has been to stiffen to maintain spending on social the Government's attitudes to majority. The case of Exxon. subsidiaries were simply not large or profitable enough to merit the time, expense and trouble of justifying their continued presence to anti-apartheid activists.

What has become increasingly clear in this period, how-ever, is that disinvestment in practice has neither weakened the South African Govern-ment, hastened the demise of apartheid nor improved the lot of those black South Africans supposed to be the beneficiaries.
Significantly, the most outspoken supporters of disinvestment and sanctions inside South
Africa have been clerics like coloured theologian Rev Allan at next month's annual confer- politicians.

Neither has tackled the thornier question of how disinvestment

would improve the lot of blacks. Ordinary black workers and the black unions have been far more circumspect. They have been hesitant to take up a clear position on a complex issue with dire potential consequences for their members.

The unions have watched with growing dismay as company after foreign company has sold its assets either to big South African groups or to white South African managers by way of leveraged buy-outs. As a US diplomat noted wryly,
"The first thing that happens
when the American companies leave is that their successors withdraw from the list of Sullivan Code signatories." The Sullivan Principles outline a voluntary code of US corporate behaviour with the aim of

removing discrimination.

Up to now the unions have had little or no say in the actual pattern of disinvestment, and played little or no part in the negotiations. Coca-Cola and Exxon were among made an effort either to ensure

and other programmes, as in the case of Exxon. General Motors' move last year to sell its Port Elizabeth subsidiary to local white managers was an event which and introduced legislation galvanised the trade union which will oblige the multimovement into taking a closer look at disinvestment.

ownership from foreign companies operating under the
Sullivan or European community codes of behaviour to
South African companies under Progressive Federal Party
no such restraint, the unions (PFP), Mr Botha told busihurriedly sought advice on pessuen to stick to the business. no such restraint, the unions (PFP), Mr Botha told busi-hurriedly sought advice on nessmen to stick to the business their options. A resulting of business — and leave the report on disinvestment will much more complicated busi-Archbishop Desmond Tutu and provide the centre of debate ness of

ence of the Congress of South African Trade Unions (Cosatu), the largest black trade union federation,

The debate will not be an easy one. As Ford management is now finding out, the unions - themselves torn by doctrinal disputes between those who believe unions should concentrate on pay and conditions and supporters of a broader socialist-orientated political approach — are deeply divided over the implications of accepting shares, co-managing trust funds and pursuing other means to make workers part-

owners

enterprises.

Ironically, the pressure on remaining foreign firms to join the exodus has increased even as black scepticism about its value have mounted. Internal political develop-ments and the actions of the South African government

in post-disinvestment

foreign companies—including European-based multinationals like Shell and BP which are increasingly being targeted by European anti-apartheid European groups.

It is difficult for such com

panies to point to their black advancement policies as positive forces for change in South Africa when the result of the Group Areas Act, making it more difficult to house black executives in white suburbs, nationals to act as rent collectors.

Faced with the reality that Meanwhile the departure of in many cases, typified by disinvestment in most cases US and other foreign comled merely to the transfer of panies has tended to isolate departing former owners have

politics



guidelines and last month a For the black union move Cosatu affiliate, the Chemical ment, disinvestment has been one of the most difficult issues Workers Industrial Union (CWIU) came out with its own they have had to face. Mr Jay Naidoo, general secretary of ten point "conditions for an acceptable disinvestment." the Congress of South African Trade Unions (Cosatu), was one of those who supported dis-

At one of the recently departed US multinationals, a black manager notes a signifiinvestment as a non-violent means of speeding the end of apartheid. But he acknow-ledges that "the pressures excant change in attitude among the white South African managers who now run the company. Shortly after the changeover, he was called in by senior management who pected from disinvestment have not materialised." The reason, he believes, is what he calls the sham nature of most disinvestquestioned whether his views ment. "It is not disinvestment, on a future socialist South Africa were compatible with it's warehousing. Foreign com-panies have maintained their the aims and ethos of the com-pany. "I detect a new mood operations on a franchise now that the Americans have Only when disinvestment materialised as a transfer of gone," he says, with some of the South Africans adopting a "not invented here" attitude to the affirmative action prowhite South Africans were the first attempts made to ensure grammes of the old regime. that disinvestment would pro-There is a new air of arre-gance, " he adds. vide business opportunities for black entrepreneurs. Belatedly

Anthony Robinson

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### General Signal GTE US COMPANIES Applied Power Ashiand Oil Baxter Travenol Bell & Howell UK COMPANIES (May 194*)* (partial (March Hill Samuel Legal & General Leyland Alfred McAlpine Pepsico Pennwalt Philips Petroleum Computer Services (Aug 1985 (July 1986 (By 1989) Playtex Procter & Ga MK Electric Eaton Corpn Eastman Kodak (April 1987) (Dec 1986) (1986) Revion Rohm & Haas Scovil Rank Xerox UK (March 1987-negotiating sale of SA branch) Smiths Industries (1985) Turner & Newall (Mar 1987-partial) Exxon Fairchild Industries Fluor Corpn (Dec 1986) Ford (jan 1985-partial® further SPS Technolog W. R. Stamler Stanley Works Utah Internati (April 1986) (Oct 1986) General Electric General Motors

# NO SIGN OF A STAMPEDE AS THE REV SULLIVAN SWITCHES the so-called Sullivan TransAfrica, the articulate closure of subsidiaries in the Principles. Washington organisation of Manufacturing, Goodyear concentrating on integrating." Mr Sullivan still claims that the Principles have led to "a paign of protests recently out the Prin FORD'S DECISION to distance the

itself from South Africa is not Principles. expected to cause a further rush of US corporate disinvest-The 200-odd US companies still operating in the country are increasingly country are increasingly regarded as a hard core of profitable enterprises that, for the moment, wish to remain.

But Ford's proposal to involve in South Africa, said last week black employees in the owner-ship of its South African business is likely to give new direction to the debate over US corporate responsibility amid uncertainty about the future of apartheid groups such as in South African from more radical anti-But Ford's proposal to involve

Terry Smith, the outspoken bank stock analyst at Barclays

for black workers that will never be turned back." Mr Allen Murray, chief executive of Mobil, the US com-

pany with the largest operations in South Africa, said last week:
"We will operate the Sullivan

embassy. "The companies recognise

that they need some other structure to maintain their credibility," says Mr David Hauck of the Investor Respon-

products companies such as R. J. R. Nabisco, Johnson and Johnson and Colgate Palmolive still operate subsidiaries, the 20 largest US companies in South Africa now comprise mostly energy, mining and

From the short-term eco-nomic and narrow company

point of view, however, dis-investment has been a windfall

for many South African busi-

According to Mr Tony Bloom,

chairman of Premier Milling group, "South African com-

panies have been able to acquire

technology, management skills, brand names and market share

which would have been unobtainable otherwise or taken

years to build. The assets have

often been picked up at bargain,

departing former owners have guaranteed a continuing supply

of components and technology,

leaving behind what amounts to

franchising agreements with

General Motors, for example.

will continue to supply over

\$200m worth of components annually to the new Delta Motor

Corporation from its plants in

if not fire-sale prices."

Europe and Japan.

boycotts," says Mr Hauck.

ownership from foreigners

Cosatu set up a special study group to thrash out policy

basis," he says.

Mr Murray of Mobil says: "Im sorry but I don't think it's right to pul out." He says that right to pul out." He says that the Mobil subsidiaries, employing about 3,000 people, have been "a steady profitable operation for a number of years" which began integrating its workforce "long before it was fashionable. The main thing is that there is a state of the same of the sa is that they did not lose their competitive zeal while they were

stocks of companies that refuse to quit South Africa. Although some 60 colleges and a number of states and cities have disinor states and cities have disin-vestment policies, this claim is regarded as optimistic by the anti-apartheid movement and exaggerated by fund managers. "I'd like to see his list," says Mr Hauck-

James Buchan

### to orthodoxy Change of banknote

reputation of possessing one of the worst records of economic management in Latin America. The country has been lurching, at times almost rudderless, towards uncontrolled inflation and axe on public expenditure, a serious recession that belitting the half-hearted threatened the very platform on attempts of the previous which it could rebuild sus-tained growth after the shocks of the debt crisis,
It is therefore an enormous

relief that drastic remedial action has been finally taken. The austerity package unreiled last Friday could scarcely be harsher and marks a return to financial orthodoxy which should assuage Brazil's international creditors, understand-ably concerned about the fate of interest payments suspended since February. These plans provide a far more propitious climate for Brazil to reparir its relations with the International Monetary Fund, and it is en-couraging that the two will resume talks next week.

Credit for the package must go to Mr Luiz Bresser Pereira, who inherited the difficult job of Finance Minister in April. Since then he has been battling to convince President Jose Sarney that Brazil cannot afford the luxury of high public spending, indexed wages and continued beavy subsidies of essen-tials like wheat, milk and alcohol.

# Strengthened powers

There are a number of important differences between Mr Bresser Pereira's approach and that of his predecessor, Mr Dilson Funaro, the architect of sense of relief that a clear econ-last year's Cruzado plan omic policy is in place. The Although a price freeze has been reintroduced, far more protest, but it seems they have flexibility exists and the way out of the freeze is clearly sign-posted. The inflationary system of wage indexation has been temporarily abandoned a step which, however unpopular, is a necessary element to insure against demand-fuelled inflation. package falls not only is
In terms of implementation president Sarney's future at
the Central Bank has for the risk but also the growth prosfirst time been given strengthened nowers both in more thened powers both in more

BRAZIL this year has been earning general control of money supply ing for itself the unaccustomed and in monitoring expenditure and in monitoring expenditure by the state governments. Of equal importance have been the cuts in subsidies and the raising of utility prices. Mr Bresser Pereira has chosen to wield the months. The message could be no clearer than in the move to shelve the controversial North-South railway project. This scheme had been actively espoused by President Sarney for seemingly no better reason than political patronage and a presidential desire for a testi-monial to his rule.

# Political skill

The new approach bears close resemblance to an IMF austerity programme. The main hurdle now will be how to accom-modate Brazil's desire to dress modate Brazil's desire to dress up an IMF agreement in terms that satisfy a well-stoked sense of national pride. Brazil wants to be treated as an equal, not dictated to. In the circumstances the IMF should be able to reach an accommodation, conscious that the kind of medicine Brazil is being asked to syallow is at the limits of to swallow is at the limits of what is politically possible in a country profoundly disillu-sioned by the recent perform-ance of the Sarney Government. As it is, implementation of this package will require considerable political skill. No amount of good management is likely to produce quick results, but Mr Bresser Pereira can initially rely on the general sense of relief that a clear econlittle support for a disruptive

beginning to recover, which should allow more leeway with the country's creditors.

The stakes are high. If this largest debtor.

campaign. On the plus side, the vital Brazilian trade surplus is

# **Men and Matters**

de Zoete Wedd who upset his employers in January by advising investors to sell Barclays shares, has changed his tune. His latest weekly moves are due to the fact that | Long range the Hong Kong office is being upgraded to take on some functions of the Asia Pacific report, which reached clients yesterday, was beaded "Time to buy Barclays," a far cry from his previous comment that "There is something wrong with Barclays." What has changed in the last

Well, says Smith, Barclays has underperformed the market so far that it now looks cheap. And if all the other banks are doing well, Barclays ought to do better too; it is not all that different after all. Barclays, too, is not as badly exposed to Third World debt as

five months?

exposed to Third would deed as some of its rivals, so if all the UK clearers have to make huge provisions like the US banks, Barclays' "hit" would be quite What Smith did not say was that there has been a big change at the top of Barclays since the January report. John Quinton has taken over as executive chairman from Sir Timothy Bevan, who retired. Did that have anything to do

This has nothing to do with personalities," was his unusually diplomatic reply.

# Out of the blue

It is scarcely two and a half years ago that Big Blue threw Tokyo's stretched schoolingand-housing-for-foreigners mar-kets into turmoil by deciding to shift its Asia Pacific head-quarters from the US to Tokyo. moving some 270 people and their families into town at a

The talk then was all about decentralisation and being close to the markets concerned. Today, those virtues are still upheld. But there is also the matter of the yen, which is 80 per cent higher against the dollar than it was when most of those people moved in.
In IBM-speak, the present

beadquarters. There are moves taking place in both directions with the net movement "in the low teens" in Hong Kong's Is that all? Well, no. A lot

of US-based IBM people work for IBM's Japanese subsidiary too. IBM says they are mainly technical people and that their numbers rise and fall depend-ing on IBM Japan's product development cycle. Coincident-ally, that cycle is going down at the moment. Of the 259 on the roster at the end of last year, 80 are going home. It would probably be too much to expect Toko's sky high rents to go down as a result of these moves, but there could be a temporary lull in the rapid upward trend, not to mention a few free places in the city's crowded international schools.



"Why don't we refer the proposed merger to the Take-

Only a week after the Venice summit, preparations are already well in hand for next year's gathering in Toronto.
Once described by actor
Peter Ustinov as "New York
run by the Swiss," Canada's
biggest city has an ulterior motive for putting on a good show in 1988. City fathers hope that favourable impressions

gained by politicians, bureau-crats and journalists attending the 1988 summit will boost Toronto's bid to host the 1996 Toronto's bid to host the 1996 Olympic Games.

Mayor Arthur Eggleton intends to show off his city's sports prowess by inviting the seven summit participants to a baseball game. Unfortunately for the mayor, a huge sports stadium with a fully retractable roof now being built in the

roof now being built in the shadow of the landmark CN Tower will not be ready in time for the summit. Still, the visitors are unlikely to leave disappointed. Toronto has matured in the past 20 years from the staid centre of Anglophone Canada into one of the most cosmopolitan — but also cleanest and safest — cities in North America. Even the snow has melted by this time of the vear.

# in check

Si's bankers were poised to part with their first "enterprise cheque" of £30,000 to a lucky boffin for a toehold in his new bit of biotechnology.

bit of biotechnology.

The gesture was not philanthropic, said banker Geoffrey Taylor. The enterprise cheques would average £25,000 and there would be 10-15 available a year. It would be a geouinely novel attempt to win the confidence of improveried done and fidence of impoverised dons and set them on a path to commercial prospects.

"Almost anyone" in 3i could sign an enterprise cheque, said

Taylor. His team was working hard to keep it simple and flexible, even enshrining its principles in a document of only three and a half pages. When would they be parting with the first cheque? "Very soon—even in hours," they promised.

It turned out they had been planning to do it when they launched the scheme yesterday morning. But they had failed to complete the paperwork in

# Political taste

A sticky problem awaits the new Leader of the House of Commons, John Wakeham. During the past year, MPs were provided with 850,000 white, self-seal, post-paid envelopes, and 2.55m gummed envelopes for addressing their

But there were complaints about the quality of the self-seal variety (they refused to stick down); and about the "obnoxious taste" of the gum-med envelopes.

solutions to constituents' prob-

The former Leader of the House, John Biffen, took action before the general election to ensure that any self-seal envelopes in future do what they are supposed to do. But the piea made by Harry Greenway, Tory MP for Ealing North, for a "more pleasant flavour of gum" for the benefit of MPs' ecretaries, has yet to be But help is at hand from

Martin Young, a director of Emerson Envelopes of London. The company launched a range "sweet-tasting envelopes" about 35 years ago but, for some unfathomable reason, they did not sell as well as expected. The Commons' complaints suggest that their time may well have come, says Young. So he is introducing a new range of gummed envelopes in three flavours — peppermint, lemon and rum. If there should be a public taste for anything else,

Young says he will consider providing it. Observer

# THE AMERICAN STOCK EXCHANGE

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FOR A few days after Mr Mathias Rust, the 19-year-old West German pilot, had landed his single-engined Cessus light aircraft in Red Square, Soviet officials were inclined to treat the affair as something of a

It was only after the Polit-buro retired Marshal Sergei Sokolov, the Soviet Defence Minister, and sacked Marshal Alexander Koldunov, Com-mander-in-Chief of Air Defence, for failing to stop Mr Rust that Soviet spokesmen began to treat the affair as a grave threat to Soviet security.

to Soviet security.

The vigour of the Kremlin's response can be only partly explained by outrage at another failure by Soviet air defence. The real reason for taking Mr Rust's escapade so seriously in the failure by Soviet air defence. is that it provided an excuse to reorganise the Soviet High Com-

Marshal Sokolov, 75 and part of the military leadership in Moscow since 1965, was very much of the pattern of elderly senior officials inherited from the Brezhiev era, whom Mr Gorbachev has been replacing wherever possible. Marshal Koldunov, the other casualty of the debacle, may already have the debacle, may already have bad a mark against him as head of Soviet air defence in 1983, when one of its planes shot down the Korean airliner KAL 007 with the loss of 269 lives. To drive home the message that top officials, including members of the Politburo, are accountable for failure, the Soviet news agency Tass even reported approvingly an interview given by Mr Zbigniew Brzezinski, former National Security Advisor to President Security Adviser to President Jimmy Carter, and long among the Kremlin's least favourite people. It quoted him as saying: "The Soviets have done what the American High Command and political leadership has not had the guts to do—namely, fire the top military men when there is a significant setback." Nor was the departure of the two marshals the end of the two marshals the end of the affair. Recently, the daily newspaper of the armed forces, Krasnaya Zvezda (Red Star), said the same deficiencies in

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James Bled.

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organisation and competence exposed in air defence were also to be found in the fleet and ground forces.

"We cannot take one step forward if we do not learn to work in a new way to overcome stag-nation and conservatism in all their forms," the newspaper

Exactly what perestroika, as member of the Politi Mr Gorbachev's reorganisation always a lightweight. programme is known in Greater concentration of Russian, means for the Soviet High Command and the 3.7m servicemen is unclear, but it is evident that the position of the in all branches of government

The antics of a West German pilot have provided Mr Gorbachev with an excuse to shake up the Soviet military. Patrick Cockburn reports from Moscow



Soviet soldiers: even the armed forces' newspaper recognises the need for change

# tactical retreat

In Soviet politics and society has changed over the past two years.

A further reason for the saying social programmes must approach is more political. The new way reflects program armed forces is that Mr Gorbaneeds.

The new way reflects wiews of a new general program armed forces is that Mr Gorbaneeds.

years.

It now has less infiguree on Soviet security policy and foreign policy. It also looks less well placed to urge the claims of weapons procurement against investment in the civilian sector.

The evidence for this is the ease with which Mr Gorbachev, in pursuit of a disarmament agreement with the US, has felt able to offer substantial reduc-tions in Soviet nuclear and conventional arsenals without any sign of military opposition.

This is partly a matter of per-sonalities. Mr Gorbachev, with Mr Anatoly Dobrynin, ambassa-dor to Washington for 24 years dor to Washington for 24 years until brought back to become Party Secretary for foreign affairs in 1986, and Mr Eduard Shevardnadze, Foreign Minister, appear to take all the key decisions on foreign policy. Compared to them, Marshal Sokolov, never a full voting member of the Politburo, was always a lightweight.

Greater concentration of policy-making at the centre, in the Politburo and the Party

gence Agency put the proportion of the Soviet gross national product devoted to defence at between 15 and 17 per cent, but say the rate of growth has slowed since the mid-1970s.

Some senior Soviet officials have argued that efforts by the Soviet military to match each new weapons programme dreamt up by the Pentagon would not necessarily add to Soviet security. According to them, the real danger lies in bleeding the civilian economy

-which were revolutionising warfare. But these are also ex-pensive and, when the Marshal was mysteriously dismissed later that year, Pravda and Krasnaya Zvezda both carried editorials

1987, under the overall com-mand of Marshal Sokolov, had become a running sore. The army could claim that the politicians had got them into the mess, but the fallure of the 115,000-strong contingent to crush the anti-government guerrillas did not increase the military's prestige in its first prolonged conflict since 1945.

In Afghanistan and other regional struggles Mr Gorbachev's instinct has been to do enough militarily to hold the line, while looking for political not all armed forces chiefs success. Thus the government agree with this assessment ceasefire in Afghanistan, in-Marshal Nikolai Ogarkov, Soviet spired by Moscow, strengthens Chief of Staff, said in an interview in 1984 that it was new, though it is doubtful whether it high technology conventional weapons—not nuclear missiles spired by Moscow, strengthens or young scientists?"
Kabul's political position.
though it is doubtful whether it the more relevant because will do much to end the war.

It is also significant that the expansion of the Soviet warm water navy has slowed. This

The new way reflects the views of a new generation.

Much of Mr Leonid Brezhnev's chev and the men around him believe that the military balance with the US is stable, despite the growth in US defence budgets since the late 1970s. Estimates by the Central Intelligence Agency but the proper-

the more relevant because sufficient defence."
students are no longer exempt The dismissal It is also significant that the expansion of the Soviet warm the majority automatically water navy has slowed. This became non - commissioned does not mean that the USSR lieutenants on graduation and in its influence in in the birth rate—and accusainterested in its influence in in the birth rate—and accusa- larger share the Third World, but that its tions that the elite were dodging resources.

service in Afghanistan—put paid to this.

A more traditional view of military service has been put by General M. Gareev, deputy chief of the armed forces' general headquarters. Writing in the same newspaper he complains of certain scholars expressing "a negative attitude not only to conscription for students, but to service in the armed forces in general."

The armed forces are unhappy about some aspects of their position in Soviet society and about losing influence over policy formation, but this alone would not be enough to pro-voke a backlash against Mr Gorbachev. For a start, the Soviet military as a separate institution, has less leverage in the Kremlin than the Pentagon has on the White House. The early Bolsheviks, after 1917, feared the rise of a Napoleon figure at the head of the army. The fact that the Community Party is organised under mil' tary discipline ironically give the military a less distinct identity.

This does not mean that a armed forces revolt is no feasible, but that it would only have real force in support o a much bigger backlash, probably on economic issues, agains Mr Gorbachev by a majority of the Politburo and the Centra Committee. There is no sign of this bappening.

But there are rumblings in the party and military leader-ship that concessions on arm-are interpreted in Washington as evidence of weakness, and that all Mr Gorbachev's initiatives have yet to produce any-

None of this looks serious because although ther have been no great successes This generational change is not confined to the top. The Soviet army plays a much larger role in the life of Soviet arms primarily because all soviets are liable to be conscripted into the arms of the larger role in the use of the larger role in the life of Soviets are liable to be conscripted into the arms of the larger roughly are the arms of the larger roughly are the larger for the larger roughly arms of the larger rou

scripted into the armed forces for two years (three years if it is the navy or border guards).

But dislike of the draft is increasing. At a discussion organised by the weekly newspaper Literaturnaya Gazeta, one scientist described it as "stupid and shortsighted" and other scholars asked: "Whom does our society need more—soldiers or young scientists." over and above the demands and requirements of sensible

The dismissal of the two marshals for failure to stop Mr

# Lombard

# An excess of reticence

By Haig Simonian in Frankfurt

FINANZPLATZ Deutschland-Germany as a financial centre
—is the catchphrase on every
bankers' lips here when it comes
to describing their hopes for to describing their hopes for the development of the country — principally Frankfurt—as an international financial capital to rival London, New York and Tokyo.

Yet for all their financial reforms and doors opened, German hankers often seem to be received in the shadow of German hankers often seem to be

reforms and doors opened, German bankers often seem to be governed by a conservatism and herd instinct that sit ill with their international ambitions.

Those are unquestionable.

Every day Frankfurt looks more like a continental Wall Street — skyscrapers and all — while the use of English financial jargon has become almost de rigueur. And pity the yupple banker not seen clutch-

with a strong sense not to push oneself forward. Of course, bankers are pru-dent the world over, and the

anxiety not to be caught wrong-footed can be as strong on Wall Street as it is in Tokyo's finan-cial district. But that reticence is not only

more pronounced in Germany, it is often linked to a sixth-sense not to offend the country's big three banks: Deutsche Bank, Dresdner Bank and Commerz-

Take two recent cases of senior bankers asked for brief interviews to form the basis for short profiles in the Finan-

Such interviews, usually accompanied by a small photo, are bread and butter in London and New York, where moneymen would normally jump at the chance to sound off, get their picture in the paper—and win a little free publicity for

Not so in Germany, it seems.
Occasional quotes in articles
are all very well, but the
thought of appearing too
prominently in the pink pages
brings the shutters down.

One senior private banker only agreed to an interview after repeated assurances that all three heads of the country's big commercial banks had already had their say. "They

many's banking giants.
But commercial savvy hardly

explains the similar reluctance of the head of a semi-public financial institution, who is widely tipped as one of Ger-many's rising financial stars. No amount of gentle per-suasion could overcome his inhibition, which was largely based on the ill-effects a profile might cause elsewhere—notably on the top floors of the big three banks' skyscrapers.

yupple banker not seen clutching a copy of the Financial might cause elsewhere—notably on the top floors of the big international-mindedness but also his proficiency in English.
Cut a little deeper, however, and the mentality in Frankfurt can often seem more akin to Tokyo than New York.
Not stepping out of line, at least in public, is the most obvious symbol of that kinship.
And German conformism, as Japanese, is often combined with a strong sense not to push tend to come instead, with their usual worthy, but seldom eye-

It may just need a campaign to liven things up. But German bankers' conformism may bode ill for Frankfurt's international financial ambitions in the longer

A host of economic fundamentals makes it probable that Germany's influence as a finan-

But German bankers' instinct not to cause offence in higher places, which is more typical of a small provincial market than a first class financial centre, could become a serious disadvantage.

Brushing up their imageand self perception—may be a useful first step for many German bankers. And finding oneself in the paper—in the right circumstances—should be seen as an advantage rather than a handicap. Imagine being turned away from a meeting with the boss of Goldman Sachs or Salomon Brothers on the grounds that his counterpart at Citibank might be a more appropriate person to talk to.

# Joining the **EMS**

From Mr H. Flight, Sir.-While full EMS membership s certainly not an instant or complete indation discipline it should, however, make a substantial contribution to reducing UK inflation further and to maintaining it at a stable European level. A variety of factors causes/costs of living inflation. For an economy, such as the UK, a depreciation of the exchange rate is more likely to unleash wage cost inflation. Wage cost push inflation has abated gradually with the reduc-tion of trade union power and the persistence of unemploy ment. There is no reason why it Subuit not abate further as expectations of sustained lower inflation gain increasing acceptance. A stable exchange rate against our major tarding pratagainst our major tarding prairies is likely to be a major contribution to this process, inevitably pegged against the currency of the EMS member with the lowest inflation rate(DM).

The events of the last decade, as focused on in the Croham

report, have readily demonstrated the importance to the UK economy of a correct trade equilibrium exchange rate against our EEC trading partners. The UK annual non-oil trade deficit of approximately f10bn which developed between 1978 and 1986 was almost exactly equal to the UK trading deficit with other EEC countries. It is no accident that British industry and employment have revived substantially since last autumn following the substantial depreciation of sterling against EMS currencies which occurred during the first

three quarters of 1986. As stable as possible an ex-change rate in relation to the currencies of a particular country's major trading partners is self evidently important to major investment decision's. A business project which may be competitive at today's exchange rate can easily become wholly uncompetitive in a year or two's time, if the exchange rate appreciates significantly. The volatility of exchange rates has surely been a major drag on investment and a major cause of the huge growth of inter-

national liquidity.

There are major lines of argument to substantiate the view that sterling's full membership of the EMS, at a correct competitive exchange rate of around DM 2.9, would help to consolidate the economic progress achieved in the last six years; would exert continuing down-ward pressure on UK inflation and would of itself stimulate economic advance partly as the result of a greater degree of currency stability and partly, in due course as the result of significatnly lower sterling interest rates. With a more dynamic UK

# Letters to the Editor

Japanese and US physical investment in Europe, the UK should surely have an interest rate structure somewhere be-tween that of Germany and

Howard Flight, Guinness Flight Global Asset 32 St Mary at Hill EC3.

# A clearing

From Mt J. Weiner Sir,—It would be presumptuous to try to improve on your Editorial on the lessons of Marshall (June 8) in the light of the dismal economic prospects which face the world today. It is, however, only too easy to forget that the prospects in 1947 were much bleaker although the essential problems were much simpler.

But when you say that the chief lesson of Marshall at present is that the adjustment burden "in the global system" (sic) should fall not only on the debtors but also on the creditors you omit to mention that we have no such system properly defined.

Is it too much to hope that

our summitteers sooner or later will face up to the transparent myth of national autonomy in an increasingly interdependent world and establish a proper system to match the liabilities of the debtors against the assets of the creditors. They need look no further than to Keynes' proposal for a clear-ing union to give them the out-lines for the kind of system the world now so badly needs. John M. Weiner. Brunsgreen,

St Leonards, Nr Tring, Herts.

### Marshall Plan for debts

From Mr R. Stead Sir,—You do well to remind us (June 8) of the benefits American generosity brought to the whole world with the Marshall Plan. Not least those most prosperous of nations, the once defeated Germany and

Today it is their turn to repay America, and in their own interest they should do it by organising their own "Marshall Plan" for the Third World.

I say "in their own interest"

because failure could lead to the "Doomsday" forecasts materialising as debtor nations economy, a sustained lower rate collapse under the weight of inflation; an external position well buttressed by massive ling domestic inflation and the collapse under the weight of for Britain is "country of ling domestic inflation and the collapse under the weight of those in the UK. My solution for Britain is "country of corigin" fares, forced down

international investments and banking system reels under the major beneficiary of the effect of massive bad debt. Meanwhile, German and Japanese industry, priced out of other developed markets by the rise of their currencies will, like all of us, have no Third World markets to sell to. A massive gift of yen and D-Marks would therefore not

only be a nice way to say "thank you" for the help they once received, but would ensure a continuing market for the products of their industries,

It seems that God's law (love your neighbour) is, as always, for man's benefit really. Richard Stead,

Eileen Shona. Acharacle, Argyll.

### High European air fares

From Mr A. Lucking

Sir,——Unfortunately Mr Sawers (June 11) has misinter-preted my letter. I too have been pointing to the doleful results of low staff productivity in European airlines. And ten years ago, I too was amongst those preaching simple compe-tition amongst European airlines as our salvation, but the near failure of recent efforts to

over the industry, as they would under conditions of open comunder conditions of open competition. Nations have to have contingency plans for their individual emergencies. For example, there could be acute danger to Europeans following outbreaks of anarchy in southern or Francophone Africa. A Falklands-type operation could become necessary again. QANTAS was used to evacuate Darwin after cyclone evacuate Darwin after cyclone Tracy, carrying around 700 people in each 747. Airlines are the national civil reserve air fleet, and indeed this is the significance of the "N numbers" on US aircraft. A threat to the Gulf oil, or from the 95 Warsaw divisions in Eastern Europe, the mightiest armoured force the world has ever seen (10 times as many tanks as Von Runstedt had in 1940).

ferry reinforcements locally, and across the Atlantic. Within Europe, we have the further problem that wage levels in Switzerland, for example, are up to three times

would demand mobilisation of

the western airline's fleets to

towards the cost levels of effi-cient UR airlines by competi-tion between them. Where Britain's share of capacity is limited by Continental political obstacles, it should be divided between British Airways and another UK carrier. While monopolising the UK share, BA has demonstrated that it is too occupied with intercontinental profit considerations to provide us with cost based local services. Probably the cost per London-Paris passenger is £60-£65, yet BA makes little profit charging the local traffic £81 Economy and £100 Club, because of revenue dilution, and cross subsidisation of discount traffic. A. J. Lucking. 17 Broad Court. Bow Street, WC2.

### Defence R&D

From Mr C. Evans
Sir,—David Fishlock's article
about defence research and
development (June 9) attributed remarks to me about
Fairey Engineering which, I
consider, gave an unfair picture of the company's relationship with the department, and suggest that the company has not been prepared to puts its own money at risk.

To put this matter in its pro-

per context, I would like to put

the following on record. There has, in fact, been close cooperation over many years be-tween the Ministry of Defence and Fairey in the very suc-cessful development and pronor other approaches.

I believe it is unrealistic to expect that the lowest cost airlines, those based in the Far East, will be permitted to take over the industry, as they would under condition. development was made by Fairey to achieve these sales. As a consequence of the progressive reduction in recent

years by MoD research estab lishments in development work and their concentration on research activities, the department has been exploring with a number of companies oppora number of companies oppor-tunities for joint programmes of medium to longer-term research. As part of this ex-ploration, we have discussed with Fairey whether it might wish to join with us in joint research into new materials for military bridging. Fairey's response has been to express interest in the exploration of these new technologies and these discussions are still con-

I hope that this additional background offers a more balanced picture of the general relationship between the Fairey company and the Ministry of Defence.

Colin R. Evans. Procurement Executive. Ministry of Defence Royal Armament Research and Development Establishment, Chobham Lone, Chertsey





# FINANCIALTIMES

Tuesday June 16 1987



Robert Thomson finds business brisk at a border crossroads

# China's back-door trade thrives

THE BUSTLING Sunday bazaar in the silk road city of Kashgar bears the marks of what some locals call the "open back door." Uighur merchants - the Moslem, Turkic speakers who predominate - have Pakistani cigarettes laid out on mats, alongside bair remover that promises: "If fail to remove the hair, price will be returned."

As yet, the "open back door" is not open wide enough for a disgruntled Chinese customer to cross the border for a refund, although Paki-stan is only 500 km away and the Soviet border is 160 km from this oasis, where the streets are lined with kebab sellers and the Moslem call-to-prayer echoes through the

The Xinjiang Uighur autonomous region, the province in China's far west, has attempted to take advantage of the thaw in Sino-Soviet relations and the opening of the Karakoram Pass to Pakistan by pushing ahead with road and rail development that will enable informal border trade to burgeon in coming

Trade between Xinjiang and the Soviet Union resumed in 1983 after

**Second** 

**Tunnel** 

Channel

'possible'

By Raiph Atkins in London

Tunnel could be used to finance a

second fixed link early next centu-

ry, Mr Alastair Morton, co-chair-man of Eurotunnel, the Anglo-

French Channel Tunnel Consor

A survey of potential traffic flows

conducted for Eurotunnel shows

that the volume of cars and trains

using the link could be greater than

originally anticipated. The extra revenue generated could allow the

consortium to repay its loans and

"We believe that traffic forecasts

show sufficient utilisation to make

it inevitable that early next century

there will be a need for a further

The latest forecast is more opti-

mistic than the estimates that Furo-

tunnel used before it raised £200m

(\$330m) from institutions in October, 1986. Details of the survey have

Eurotunnel is now waiting for the

parliamentary stages and for the treaty to be ratified by the French

Eurotunnel will then have a concession lasting 55 years that in-cludes the right to build and op-erate a second tunnel if it is thought

decision to build a second link would be taken until the first was

Following Royal Assent for the

Bill, expected in July, Eurotunnel

hopes to raise £75m from existing

investors to fund operations until

the end of the year. In November an international share issue is expect-

ed to increase this to about £750m

of which about half will be raised in

and British governments.

tium, said vesterday.

fund a new project.

not been released.

tunnel." said Mr Morton.



23-year lapse. The region had border trade, but Peking and Mos-cow fell out over ideological and military differences and the pact

had grown from SFr 85m (\$57m) in 1983 to SFr 199m last year, al-though that was down on the 1985

The fall was because the exchanged goods are very different. It depends on our needs and their needs at the time," said Mr Gao, who expects that the figure will rise significantly by the end of the dec-ade. Chinese exports consist of leather goods, cotton, hops and light industrial products, while imports from the Soviet Union include trucks, cement, steel, heavy machinery and refrigerators.

Local barter trade with Pakistan has grown on average by 10 per cent annually in recent years and in 1986 reached \$250,000, although it is expected to increase substantially when improvements on the Karakoram Pass road are completed in the next year or so.

At present, Xinjiang and Paki-stan representatives meet around the middle of the year, with each re-Mr Gao Nairen, a director of Xingion hosting alternate negotiations. jiang's Bureau of Foreign Economic Mr Gao Nairen said last year's talks Trade, said total barter trade be- were more difficult than most between the autonomous region and cause the Pakistani representatives eight districts in the Soviet Union raised prices unreasonably.

Cigarette prices, he said, were lifted 400 per cent when he and the other Chinese officials began the bargaining session. After the negotiations are concluded, the two sides generally agree that convoys of Chinese trucks will carry the Yinjiang side of the deal to Pakistan and return loaded with Pakistan's barter goods, which are mainly textiles, herbs, and cigarettes.

Mr Ahmet Jiang the director of Kashgar's planning department, said the city's first joint venture was likely to be with a Pakistani company for the construction of an \$8m hotel. He, too, was confident that "we will have more trade when the roads are better."

Xinjiang is also beginning to ex-ploit the Moslem connection with the Middle East and has already arranged limited live sheep exports to the United Arab Emirates, Senior Moslem officials have visited slaughtering facilities in the province and found that they accord with the doctrinal specifications, although local officials realise that until the quality of local sheep is improved, exports will remain lim-

# Hanoi keeps the welcome mat ready for US

By Stephen Butler, recently in Vietnam

IN CENTRAL Hanoi, a large French colonial mansion sits empty except for a few caretakers. The gardens are trimmed and the shutters drawn. This, the Vietnamese Government hopes, will soon be-come the US embassy.

The old house is a symbol of Vietnam's diplomatic and economic isoation from the West. As the Vietnamese economy staggers under hy-perinflation and as Hanoi sets its ights on economic reform, that isoation is becoming more painful.

After fighting for many years to push the US out of Vietnam, Hanoi would now like nothing better than to welcome America back, and the notivation is not strictly economic. Hanoi needs a friendly power in the region to counterbalance its heavy lependence on the Soviet Union for economic and military aid and to counteract the deep hostility from China

The root of Vietnam's isolation lies in the 140,000 troops that it stations in Kampuchea. Today, the diplomatic stalemate in Indochina appears no closer to solution than in 1978, when Vietnamese troops in vaded Kampuchea, overthrew the Khmer Rouge government of Pol Pot and installed a new government headed by Heng Samrin. The Vietnamese appear still not

to grasp fully why the world is willing to overlook the atrocities of Pol Pot, refuses to recognise the new Government after nearly a decade and instead continues to give the Kampuchean seat at the UN to a coalition government-in-exile that includes Prince Norodim Sihanouk as well as remnants of the Komer Rouge.

General Tran Congman, editor of the Vietnamese Army daily, admits that at least 10,000 armed resistance forces are still operating inside Kampuchea; Western esti-mates put the figure much higher. The core of this are Khmer Rouge forces armed by China with the co-

Vietnam cannot seal the long Campuchean border, and although the resistance holds no permanent bases, few areas outside the capital of Phnom Penh are secure.

Vietnam has repeatedly promised o withdraw its troops from Kampuchea by 1990, and many diplomats in Hanoi believe the Vietnamese have talked themselves into believing this. Yet the Vietnamese-backed Government in Phnom Penh hardly appears ready to provide the requi-site security and stability on its own in the face of a hardened guerrilla

The conditions that led to the initial Vietnamese invasion could easily reappear because Vietnam says today it will never accept a govern-ment in Kampuchea that includes the Khmer Rouge.

Negotiations have never got off the ground because the Vietnamese refuse to talk to the Khmer Rouge. China will not enter into talks despite repeated Vietnamese requests and rather appears intent on rubbing Vietnam's nose into the

This it does, in part, by tying down hundreds of thousands of

economy. US opposition has sharply constricted its access to these. Even Sweden, one of the only Western countries with an aid programme to Vietnam, says it will cut this off if Vietnam is not out of Kampuchea by 1990.

Some Western diplomats now believe an opportunity may exist for squeezing a compromise out of Vietnam, and perhaps weaning it from its dependence on Moscow. Vietnam seems to be almost openly inviting the US to come in to engineer this. But fundamental attitudes in the Vietnamese Government will still have to change.

"What the Vietnamese do not

THE LEX COLUMN

# **BAA** files its flight plan

Aitken's revamped manager

threat from any of the new stake holders; NSR, the fund manage

ment arm which provides the bulk of profits, can effectively veto, as

Mr Oppenheim discovered, any un-

At least these figures indicate

underperformance of the last 18

more than the £10m pre-tax likely

this year to be persuaded that Ait-

ken is flood-proof, when there are

"Momentum" and other such in-

ams Holdings' full price (£260m) for Reed's paint and DIY division has

been mentally tucked away as the

morrow it will be possible to judge

wanted hid.

derson on offer.

Williams Reed

Over the next few weeks investors will be bombarded by the nowfamiliar run of privatisation an-nouncements leading up to the BAA flotation. Even without a bing, bong" preceding each one there is little chance of anyone missing the last call to board the flight.

The dilemma facing the Government is how to price the issue so that it succeeds, without handing the opposition a chance to suggest that Tory voters are being given a post-election thank-you present. At the same time, with the much larg-er water and electricity sales coming along it is important not to alienate the wider shareowners.

BAA's results yesterday looked pedestrian on an historic cost basis pre-tax profits up from £122m to :124m - but that is a creditable per formance given how hadly its customers, the airlines, were doing through the Libya/Chernobyl sea-son. This argues that BAA is a much less volatile profit producer than British Airways.

But, within the accounts, BAA reveals how operational gearing works in airports, too. Gatwick air-port, where 17m passengers squeezed through a space large enough for 16m, showed trading profits up 47 per cent. At Heathrow, when Terminal 4 opened, the addi-tion of capacity without proportionate revenue gains cut trading profits nearly 10 per cent. Moreover, when Terminal 4 starts generating bigger revenues the new Gatwick

terminal will open.
Further ahead BAA must handle the tricky task of weaning airlines off Heathrow and Gatwick, where runway capacity is limited, and into Stansted without losing business to the Continent. All that calls for a rating somewhat below the market tangibles have long been highly val-average. Around 14 times historic ned by image-conscious acquisitive earnings would still raise £1.1bn or companies. No doubt part of Willi-

### Aitken Hume

A dove brought news to Noah that the waters were receding; perhaps the 5.5 per cent stake bought whether it has been money well need only inspect standardised pro-recently by Guy O. Dove III brings spent in terms of market rating. A jections (and if new life offices and ken Hume. Mr Dove is the latest in the deal itself will take a little longa string of investors - Lee Ming Tee er. and the Saudi Arabian Rawda Investments being the most prominent - to invest in Aitken after the
institutions, soured by frequent disappointments, had leapt for the exit a safe assumption that it will. But

institutions the most promise are the will be guided to the best performing contracts.

One thing is for sure. Any whiff of trouble surrounding a life office route provided by Tranwood and the historic exit multiple of 18.5, will cause brokers to avoid it literalsold in the market.

quire earnings growth of at least 15 per cent to prevent that dilution. The buyer can point to the fact that the Reed companies own manage-ment was prepared to go up to £240m fully geared and that one of Williams' best deals to date - Duport - was judged too costly at the time. However, it will be more difficult to treble earnings in two years at Polycell than it was at Rawlplug and regaining market share in paint against ICI could be a REVENUE PASSENGER

struggle.
The leaders of the failed buy-out are disappointed but almost all are staving on, relieved that the winner is not a rival paint-maker. The sellers deserve to look a bit smug and although, immediately, the interest from the sale price will barely cover earnings foregone the sale should provide further momentum to the aded by the reassuringly named Mr Constance, currently appears confident there will be no takeover Reed rerating.

### Fimbra rules

Fimbra's rule-book, published esterday, is the thick sandwich, but the crucial filling - the practice that Aithen, having leaned heavily note on best advice guidelines - is towards the US for profits, has still missing. The guidelines, for instarted to show recovery in the UK. stance on surveying the market, But given the dramatic share price will apparently emerge "from time to time", and their commercial immonths, the institutions will want pact could be considerable.

Members of Fimbra must not recommend a life or pension policy unless they "are not aware of any ment vessels like M & G and Henderson on offer.

Men is 1000-proof, when there are menticy seaworthy fund manage life policy, pension contract or (as ment vessels like M & G and Henderson on offer. cure the investment objectives of the client more advantageously than the transaction to be effected

Will this mean that an independent insurance broker must select life policies only from a handful of life offices at the top of the performance league tables? If so, a large proportion of the 100-plus life of-fices in the UK may have to close price of a post-Norcros bounce back; for new business unless they have when the shares are unfrozen to-direct sales forces.

On the other hand, if brokers there must be scope for recommending contracts without a past The future credibility of the Willi-record) it is hard to see how clients

while not too excessive, does re- ly for fear of their business lives.

# Thatcher shuffles junior ranks to boost social policy effort

BY PETER RIDDELL, POLITICAL EDITOR

ranks of the British Government to CASH generated from the Channel

general election, which saw the be will deal with this autumn's ma-Conservatives returned to power jor bill to revive the rented housing with a large majority, there were sector. His successor is Mr Francis frequent Opposition criticisms of Maude, previously a government what was perceived to be an "uncar- whip and a barrister specialising in ing attitude.

Home Office and the Department of junior industry minister, remains. the Environment

election team in the Commons of trade negotiations, particularly in Channel Tunnel Bill to complete its

been made in the middle and junior ment. Mr Shaw at his own wish. Mr Michael Howard, the undersharpen presentation in key social secretary for corporate and consumer affairs, has been promoted During the run-up to last week's to become Housing Minister where

Health Service and the plight of the who has taken a close interest in the aerospace and commercial vehi-Most of the ministerial teams cle sectors and has been parliahave been changed at the Depart-mentary private secretary to Lord ment of Trade and Industry, the Young. Mr John Butcher, the other

The other two ministers of state,
Mr Geoffrey Pattie and Mr Giles

Apart from Mr Pattie, several

long-serving ministers of state in FAR-REACHING changes have Shaw, have both left the Govern-

criminal work. Criticism then focused on high The other newcomer to the Trade memployment, the National Department is Mr Robert Atkins,

Changes have also been made at At the Trade Department only the Treasury where Mr Peter Lilmentary private secretary to the six. Of the ministers of state, only Chancellor of the Exchequer, comes Mr Alan Clark, Trade Minister, has in as economic under-secretary. He not been dropped. Despite his controversial stand on many aspects of over to the Ministry of Defence.

government policy, Mr Clark's

The defeat of three Scottish Ofreappointment can be seen as an
fice ministers last Thursday has led time!

The defeat of three Scottish Ofment's heavy legislative load, addiment's heavy legislative load, addiendorsement by Mrs Thatcher, the to an extensive reshuffle, though Prime Minister, of his tough line in one exiting minister, Mr Alick Bu-

chanan-Smith, previously Energy Minister of State, declined a post Apart from Mr Pattie, several

other departments have been dropped, including Mr Rhodes Boyson (local government), along with nber of under secretaries, including Mr Dick Tracey (sport), and Mr Alistair Goodlad (Energy). Otherwise, the main changes in-

volve a shifting around of promis-ing ministers of state to gain more experience. Mr John Patten, the previous Housing Minister, moves to the Home Office with responsibility for law and order. This has been dealt with by Mr David Mellor who goes to the Foreign Office as a Minister of State, taking over from Mr Tim Renton, who switches to the Home Office to handle immi-

In the Department of the Envirord Belstead, the deputy operation of Thailand. leader of the Lords and Agriculture Minister, moves over to become Local Government Minister. Mr William Waldegrave remains to deal tional under secretaries are being appointed, including Mrs Marion Rue and Mr Colin Moynihan, who will become Sports Minister.

Election aftermath, Page 8; State sell-offs, Page 12

# Conservative poll win fails to inspire London money markets

BY JANET BUSH IN LONDON

BRITISH financial markets continned to labour under post-election profit-taking yesterday and saw few signs of the fresh overseas investment fervently expected in response to the Conservative Party

Sterling has looked vulnerable since Thursday night and hopes of an early cut in base lending rates yesterday by about 1/4 point.

Sterling yesterday came under pressure, not only against the rising dollar but also against continental European currencies, as foreign demand for British securities failed to materialise. Another key factor weighing against sterling is fear of Bank of England intervention against it anywhere near DM 3.00. A disappointing 3.3 per cent fall in retail sales volume in May also

and switching into US Treasury bonds was cited as one reason be-

ing yesterday at DM 1.8245 compared with Friday's closing at DM 1.8115 and at Y144.75 after Y143.80. Gilts prices fell two points yester-

hind substantial falls not only in the gilt market but also West German public authority bonds. The dollar closed European trad-

Continued from Page 1

Monetary policy measures could beginning."
also only play a limited role, particularly as money growth is already pan's Y6,000bn (\$41.7bn) domestic high in many countries and there stimulus package "quite impres-are signs of a re-emergence of infla-sive" and a "credible move towards

BIS officials fought shy of recom- Mr Godeaux said that in the US mending specific fiscal measures to savings must be increased and be taken by the three major governments. For the US the principal requirement was that there should be
credible cuts in the US public sector

general manager, said a credible in the sources of their economic path was one which would bring the growth away from exports and to the condition of the growth away from exports and to the condition of the growth away from exports and to the condition of the c

will be adjusted and co-ordinated to ently-targeted cut from \$220bn to that end."

what Japan ought to do."

Japan and West Germany, by

Mr Alexandre Lamfalussy, BIS contrast, "must bring about a shift

ANATOMY OF A STAR

We were the first Kuwaiti bank to establish a foreign exchange dealing room; first to introduce automated letters of credit; and first to link all branches on-line to a central computer.

Now we're leading the way with forward rate agreements, interest rate swaps, currency options and interest

many major companies are already enjoying the benefits of our services. So could you. And at very competitive

Bear us in mind next time you have a special need. Commercial Bank of Kuwait promises you an open mind and some very imaginative thinking.



This will be supplemented by £4bn lent by 40 international banks. Vietnamese troops on Vietnam's Construction of the link is expected appear to have evaporated. Domesnorthern border, where the Chinese undermined the pound yesterday.
It ended in Europe at DM 22775
compared with Friday's closing DM
2.9925 and at \$1.6320 after \$1.6520. day, pushing yields up to the top of tic money market rates moved up to begin at the end of the year and keep the tension high through contheir recent trading range at nearly 9 per cent on longer-dated issues. be completed in May 1993.

Plans for the first link consist of stant infiltration and spying, peri-odic cross-border shelling and occa-Even the equity market, which alone has made substantial gains Investors and market makers two 50km rail tunnels and an access sional full-scale attacks. Part of the pound's problems have stemmed from the dollar's on the Conservative victory, hitting tunnel. Cars will be carried on shuthad gone into the election holding It is often said that Vietnam navs ties operated by Eurotimnel. new peaks on all major indices, has substantial stocks in anticipation of new peaks on all major moles, has been boosted by domestic rather than foreign buying.

Commenting on the positive ef-fect pre-election speculation had had on markets, one gilt-edged pri-mary dealer said the market might have to wait another five years for new-found popularity. A positive in-terpretation of Friday's US trade and producer prices figures has helped and dollar buying was fur-ther encouraged when Mr Kitchi little for being stuck in Kampuchea. Moscow foots the military bill and maintaining the world's third-larga revival of foreign buying. How-ever, since the poll, the Japanese have on balance been net sellers of The second link could be built for either car or rail traffic depending on demand. Eurotunnel anticipates est standing army helps Vietnam cope with high unemployment. an increase in the volume of Britain's freight carried by rail follow-Miyazawa, Japan's Finance Minis-ter, said the Group of Seven leading industrial nations had agreed in Ve-nice that the dollar had bottomed ing the opening of the first link. Speaking at a lunch organised by Yet these narrow considerations 100 index closed 18.1 higher at 2307.6, a new peak, while the FT ordinary share index ended up 18.7 at cost. Vietnam has got little to show Construction News yesterday, Mr some more good news. Foreign ex-Our star comprises four arrowchange dealers said there was a feeling UK markets had enjoyed Morton said confidence in Eurotun-1786.6, also a record. for the billion-dollars a-year Soviet heads, each of which contain, in Arab nel had been renewed after a struggle to complete its equity issue in October. economic aid programme, a result There are signs of renewed Japa-nese interest in dollar instruments Money markets, Page 37; London stock market, Page 44 their finest hour in the run-up to calligraphy, two words: Commercial of bad Soviet advice and gross Vietnamese mismanagement rate options. This is the corporate symbol of the With strong contacts in 89 countries Vietnam is desperately poor and Commercial Bank of Kuwait, famous **BIS** urges co-operation needs Western capital, technology and markets in order to develop the World Weather for its pioneering approach to Middle East banking.



Bristol 0272 277725 Oxford 0865 249494

# SECTION II – COMPANIES AND MARKETS

# FINANCIAL TIMES

Tuesday June 16 1987



# Sosnoff abandons bid for **Caesars**

By Anatole Kaletsky in New York

THE LONG-RUNNING battle for control of Caesars World, the Los Angeles-based gambling and lei-sure company, ended yesterday with the withdrawal of Mr Martin Sosnoff, the New York investor who first became the company's largest shareholder four years ago.

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Mr Sosnoff said he was discontinuing his \$1.1bn tender offer, worth \$35 for each Caesars World share. because the cost of carrying on the fight could no longer be justified af-ter the recapitalisation plan recently announced by the company's

management.
Under this plan the company will raise \$960m in new debts from banks and the junk bond market and use the proceeds to pay a spe-cial cash dividend of \$26.25 to each

The stock in the highly indebted company will then trade at a price far below the \$34% a share, down \$%, at which it was quoted yesterday lunchtime.

Mr Sosnoff yesterday expres his approval for the financial provisions of the recapitalisation plan saying that he was now "satisfied that all shareholders will receive substantial value when the plan is

But he denounced the "poison pill" elements which will render the recapitalised company virtually immune to hostile takeovers. He called on the management to abandon their proposed changes in corporate governance and said that he would then publicly support the

plan's implementation. Mr Sosnoff yesterday called the court's decision "erroneous." but said he would not appeal in view of volve. He added that he had already spent \$30m in seeking control of Caesars World and that his efforts that Britain's Midland Bank could However, some bankers are had therefore produced "virtually no gain" for himself that Britain's Midland Bank could However, some bankers are sell it to Wells Fargo, has announced his resignation as president take the job

# Swedish Match advances 45%

BY SARA WEBB, STOCKHOLM CORRESPONDENT SWEDISH MATCH, the Swedish income from Tarkett's resilient conglomerate and the world's lead-flooring operations in North Amering match manufacturer, showed a ca and the hardwood flooring divi-45 per cent increase in profits after sion increased. financial items to SKr 167m (\$26m) in the first four months, compared lary, which designs and manufac-

with SKr 115m a year ago.

The increase was partly due to SKr Swedish Match's recent acquisition

tures packaging, increased operating income by 21 per cent to SKr Swedish Match's recent acquisition

4m, though sales slipped by 1 per of Pegulan, the West German floor- cent to SKr 585m.

shaving products manufacturer. pected profits after financial items income, down 59 per cent from SKr this year to show an increase on the 1986 figure of SKr 500m. income, down 59 per cent from SKr 1986 figure of SKr 500m. Sales during the first four Mr Peo Lindholm, head of fi-

The stongest improvements in results were onsults came in the flooring and packsults came in the flooring and packly consolidated at the beginning of placed with Wolters Samsom yesaging business areas.

the acquisition of Pegulan, although fully.

The Akerlund & Rausing subsid-

ing group and, to a lesser extent, of Results from the consumer prod-wilkinson Sword, the matches and ucts group, which includes matches, lighters and paper products, Swedish Match said that it ex- showed a sharp drop in operating

months rose by 36 per cent to SKr nance at Swedish Match, said that 4.832bn, compared with SKr Wilkinson Sword had made a positive contribution to the consumer products group, albeit during a very short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and analytic short period as the results were on the floring and the floring and

Tarkett, the flooring subsidiary, showed an 81 per cent increase in operating income to SKr 94m, while operating income to SKr 94m, while match and lighter divisions, and the sales rose 131 per cent to SKr effect of recent restructuring mea-1.883bn. The rise was chiefly due to sures have not started to show up cross-participation in each other's

# Cahouet expected to become Mellon chief

BY WILLIAM HALL IN NEW YORK

bled banks, is expected to take over Several names have been can-as chairman and chief executive of vassed for the chief executive's post mance of Crocker National Bank so man.

MR FRANK CAHOUET, the 55-dent of Federal National Mortage year-old banker who has acquired a Association (Fannie Mae), the spereputation for turning around trou-cialist provider of housing finance.

Mellon Bank Corporation, the fa- at Mellon, one of the proudest mous Pittsburgh-based banking names in US banking, including group, which lost \$60m in its first that of Mr Tom Theobald, the 50quarter and halved its dividend. year-old vice chairman of Citicorp, Mr Cahouet, who is best known who was passed over for the top job for cleaning up the financial perfor-when Mr John Reed became chair-

Kluwer to merge with rival publisher

By Leura Raun in Amsterdam

KLUWER, the embattled Dutch publisher, plans to merge with its smaller rival, Wolters Samsom, in an effort to torpedo an unfriendly takeover bid from Elsevier, the Netherlands' second largest pub-

lishing company.
By Wolters Samsom's dramatic introduction as a "white knight" yesterday, Kluwer hopes to persuade shareholders to tender their common stock to a friendly partner instead of to Elsevier.

Besides the advantage of an

terday. In future, Kluwer and Wolordinary share capital.

Under Wolters Samsom's public bid, to be launched shortly, three newly issued Wolters Samsom shares will be offered for one common share of Kluwer.

Shareholders of Kluwer would get the equivalent of F1 420 per share compared with Fl 370 from Elsevier, based on Friday's closing prices. Trading in Kluwer and Wol-ters Samsom was suspended yes-

It is not yet clear whether Elsevier will press ahead with its public tender offer, expected this week, although a sweetened bid seems quite

Elsevier was undeterred last week when Kluwer issued preferred stock amounting to 51 per cent of the share capital and placed it in a friendly foundation, meaning Elsevier would own only 49 per cent of the company even if it acquired all the common stock.

PINOCHET GOVERNMENT PUSHES PRIVATE PURCHASING POWER TO THE FOREFRONT

# Practical privatisation in Chile

BY BOB GWYNNE RECENTLY IN SANTIAGO

WHILE many governments in Latin America have been talking about the need to privatise, Chile has been in the forefront of those countries taking practical steps to put this policy into effect.

Since the overthrow of the Altary regime of General Augusto Pinochet has been anxious to inthe economy. This process was was obliged to intervene in the run-ning of Chile's two largest conglom-

distribution) and concerns such as is reduced. Telex. CAP (the state steel compa-

Popular capitalism' is gaining a foothold as employees in Chile's service sectors become the first to buy shares in privatised companies. Pension funds are also being encouraged by the Government's reactivated privatisation scheme.

crease the private sector's role in a majority of their capital in the pri- ments for their retirement pension. vate sector. Other companies such These pension funds have been enrudely interrupted by the 1983 fi-nancial crisis when the government Entel (telecommunications) and LanChile (the state airline) will retain a dominant state stake.

To stimulate Gen Pinochet's con-However, in the past two years cept of "popular capitalism", work-the privatisation programme has ers are being encouraged to pur-been resumed at an accelerating chase shares. For example, half of pace. In part this has involved hiv- the steel concern CAP's capital has ket reaction and to ensure that the de Santiago, formerly the two larging off companies that the Government found itself controlling as a
result of the 1983 intervention. In

been taken up by employees. Often
this share ownership does not require any capital from the workers,
its share capital placed on the marits share capital placed on the marits share capital placed on the marits share capital placed on the marresult of the 1983 intervention. In addition, the Government has moved to privatise state companies whose formation pre-dated the 1970-73 nationalisations carried out by the Allende administration.

This is being done gradually with This is being done gradually with the working the utilities Endesa (electricity genticular). The state of the tribit the expression of the tribit the expression of the surface on the market at June and December the beautiful priced at the tribit the expression of the shares go up (on retirement). The letters' shares go up (on retirement) and the state of the market at 20 pessos per chief and private shares go up (on retirement). The letters' shares go up (on retirement) and the state of the market at 20 pessos per chief and private shares go up (on retirement). eration) and Chilectra (electricity while the company's long-term debt. share. The latters' shares are now are unlikely to finish buying back

lende Government in 1973, the mili-tary regime of General Augusto (telephones), so that by the end of sion funds. Chilean employees are Pinochet has been anxious to in-the year these companies will have now urged to make private arrangecouraged to invest in the privatised companies. For example, roughly

> iary of the utility, Chilectra) is now held by pension funds. offload shares of individual compa- crisis has also proved complicated. nies in stages in order to test marued. Thus, Entel had 30 per cent of its share capital placed on the mar-Bank along with most other Chi-

one quarter of Chilmetro (a subsid-

The state holding company Corfu, which manages the privatisation programme, determines pricing on the value of assets, the cost of re-placement and an estimation of present and future business activity. Generally speaking, early evaluations have been low and the Government has been criticised for selling off national assets too cheaply. For example, one of the electricity company, Endesa's power stations was sold to the LM.Trust for \$21m. 50 per cent below its straight forward replacement cost of \$46m.

The privatisation of the two The Government has preferred to banks taken over during the 1983 The Banco de Chile and the Banco

is reduced.

being traded at over 400 pesos, with their 'cartern vendida' until the
The other major source of privepension funds purchasing more 21st Century.

# Shell and Fluor divide up Massey Coal

BY WILLIAM HALL IN NEW YORK

pressure and despite a sharp rise in coal operations in Illinois, Wyoming production the industry has not been very profitable and coal comproperties including the Marrow-

The joint venture was formed in retain certain subsidiaries in Ken-October 1980 when oil prices were tucky, Tennessee, Pennsylvania escalating and US coal production and West Virginia. In 1986 these op-

However, as oil prices came under Shell Oil, which has substantial

was being increased rapidly as energy users switched from oil to coal.

Standard & Poor's. The agency says of proven high quality low sulfur steam coal reserves which would continue to coal.

Standard & Poor's. The agency says of proven high quality low sulfur steam coal reserves which would continue to coal. sey's business included 355m tons Standard & Poor's. The agency says boost its total coal reserves to 1.9bn \$400m common stock issue to retons. Fluor's share of the reserves duce debt. Amax has made signifi-

SHELL OIL and Fluor, the international engineering and construction group, have agreed to break up their jointly-owned Massey Coal Company, the ninth biggest US coal producer, and divide the assets between the two companies.

panies have been restructuring bone property in West Virginia and Wolf Creek in Kentucky. It will also would creek in Kentucky. It will also executive, described the deal as "an important element" in the companies.

Mir David Tappan, Fluor's chief executive, described the deal as "an important element" in the company. Newport News, West Virginia and Wolf Creek in Kentucky. It will also executive, described the deal as "an important element" in the company's restructuring programme. Charleston, South Carolina, The aswhich was in turn acquired by Fluor's shares were unchanged at the two companies.

tons last year.

Shell said that its share of Masraised to BB from BB minus by
Standard & Poor's. The agency says will be 700m tons of primarily me- cant progress in improving its bal-

# THE SWISS INVESTMENT BANK WITH A GLOBAL TRADING PRESENCE

Swiss Bank Corporation is pleased to announce that Swiss Bank Corporation International Holland N.V. has commenced operations in Amsterdam.

Swiss Bank Corporation International Holland N.V.

Amstel 344 1017 AS Amsterdam Tel: (020) 264100

SBCI Holland was established as an investment bank on 2nd January 1987. Granted a full banking licence, it is a member of the Amsterdam Stock Exchange and the European Options Exchange and offers a full range of capital market and related business.

The management and underwriting of Dutch Guilder bond issues on behalf of the SBCI Group will in future be undertaken by SBCI Holland.



Swiss Bank Corporation International



SOLVAY IN 1986:

# **IMPORTANT INCREASE IN INCOME**

LETTER FROM THE CHAIRMEN

The Solvay Group's activity in 1986 was sustained in all five of its sectors, thanks in part to several years of diversification efforts, to drastic economies, especially energy savings, and to favorable economic conditions.

The consolidated net profit after depreciation and taxes in 1986, was 9,931 million Belgian Francs (±246 million S), an increase of 22% over the 8,140 million Belgian Francs earned

The decline in the price of oil prod-ucts resulted in a reduction of feedstock prices and contributed to the improvement of earnings but led as a consequence to a reduction of the sell-ing price of several of the Group's products; this partially explains the decrease of approximately 4% in our sales revenues, from 225 billion Belgian Francs in 1985 to 216 billion Belgian Francs (±5.343 billion S) in 1986.

The decline of the dollar and of a number of currencies only slightly reduced sales, profit and stockholders' equity expressed in Belgian Francs. In fact, the Group's structure, based on facilities in each country servicing their own domestic markets, makes it less vulnerable to currency exchange variations than other chemical groups which export heavily throughout the world from large plants located in their home countries.

Favorable evolution of our five

Each of the five sectors of the Group had a positive contribution to our earnings in 1986.

In the Alkalis sector however, volumes, prices and sales were down from the year before. In Peroxygens, the expansion of the Interox Group continued. Very

modern, high performance facilities

were brought on stream in the United Kingdom and in Holland. The Plastics sector sharply increased volumes and earnings in 1986 compared to 1985. In the field of ethylene, the American cracker of CCPC (Corpus Christi Petrochemical Company), in which the Solvay Group holds

25%, was the subject of a letter of in-

tent signed on February 27, 1987, under

which we would sell, in July 1987, our

share of CCPC's assets to Texas' Ster-

The Processing sector grew in earnings as well as sales. The Health sector's earnings developed well. In the human health business two important strategic acquisitions took place in 1986: Reid-Rowell in the United States, the world's largest pharmaceutical market, where we did not have a subsidiary marketing specialty pharmaceuticals; and Unione Chimica Medicamenti in Italy, the fifth largest pharmaceutical market in the world, where we sold our drugs through licensees. The animal health

division also made good progress, mostly in the field of vaccines and other veterinary products. The aggregate of the Health sector already represents 12% of the Group's net sales; this sector is becoming one of the cornerstones of our long term

Orientation towards high-technology products

development.

Overall, the Group seems to us well balanced and diversified with its five sectors; each has both growth products and cash-generating products. Moreover, our geographical diversification is becoming well established in the main European countries, in the United States and in Brazil. In Asia, our endeavor to penetrate the market is beginning under the leadership of our

Asian Division.
The growing orientation of our Group towards specialty products with high added value and high research content, enables it better to withstand

fluctuations in the economy.

Our ratio of Research and Development expenditure to sales, which is 4%, clearly classifies us among high-

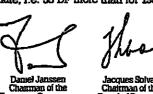
technology chemical groups, with spe-cialty products such as certain grades of plastics, peroxygen products, plastic components for automobiles, drugs, animal vaccines, biotechnology prod-

Major resources are dedicated to the Group's future

The Board of Directors set the 1987 investment program at 19 billion Belgian Francs and the Research and Development budget at 8.8 billion Belgian Francs, making a total of 27.8 billion Belgian Francs for 1987, higher than last year if the acquisition of the American pharmaceutical company Reid-Rowell is not counted. This program of investments and research bears testimony to the Board's confidence in the development of the Group and to its will to make the best use of the Group's present prosperity to secure its future.

Higher Dividend

The dividend for 1986, proposed to the General Meeting of Shareholders, amounts to 335 BF per fully paid up share, i.e. 35 BF more than for 1985.



KEY-FIGURES OF THE SOLVAY GROUP 1985 (in millions of BF) (in millions of \$) 225.443 216.313 5.343 213 Research expenditure Investment expenditure 16,100 571 I.493 Shareholders equity Group's consolidated bet profit. 8.140 246 (in BF) PER SOLVAY SHARE (UI \$1 27 300 82 Net chysdend 7,720 192 Shareholders' equity Prices on the Brussels Stock exchange: 222 149 lowest Personnel employed (real numbers) 44.461 44,787



The annual report of Solvay & Cie, which is available in English, French, Dutch and German, can be requested from: Secretariat Genéral de Solvay & Cie, rue du Prince Albert, 33

Rates of exchange 1985 100 BF = 1.99 \$. 1986: 100 BF = 2.47 \$

# James B. Beam Distilling Co.

a wholly-owned subsidiary of

American Brands, Inc.

has acquired

# **National Distillers Products Company**

The undersigned initiated this transaction and acted as financial advisor to American Brands, Inc.

# Morgan Grenfell Incorporated

New York

Morgan Grenfell Group Offices in:

Adelaide Athens Auckland Bogota Cairo Caracas Edinburgh Frankfurt am Main Geneva Grand Cayman Guernsey Hong Kong Jersey London Madrid Melbourne Milan Moscow Nairobi New Delhi New York Paris Perth Quito Rio de Janeiro Singapore Stockholm Sydney Tokyo

May 26, 1987

# **Gelco Corporation**

# Gelco International Limited

C. D. Bramall PLC

We acted as financial adviser to Gelco Corporation in this transaction and assisted in the negotiations

# Merrill Lynch Capital Markets

May 1987

# INTL. COMPANIES AND FINANCE

SWISS WATCHMAKER ADVANCES BY 16.7%

# SMH set to pay first dividend

BY WILLIAM DULLFORCE IN GENEVA

SMH, Switzerland's largest watchmaking group, yesterday posted a 16.7 per cent climb in 1986 net consolidated earnings to SFr 70m (\$47m). The group is to pay share-holders their first dividend since it was formed by a merger in 1983 at a time of crisis for Swiss watchmak-

Mr Nicolas Hayek, chairman, confirmed the promise of a 5 per cent payout he made last October. The board proposes to pay SFr 5 per registered share and participation certificate of nominal SFr 100 and SFr 1 per nominal SFr 20 reg-

The parent company reported a net profit of SFr 38m, more than double the 1985 result and consolidated cash flow grew by 14 per cent to SFr 138m.

when year end races were used.

Sales to North America, however, at SFr 481m, grew by more than 9 per cent, testifying to the continuing success of the Swatch plastic watch.

In 1983 the group reported a con-solidated net loss of SFr 173m and a

negative cash flow of SFr 94m. Consolidated sales for 1986 are booked at SFr 1.82bn, giving a 1.3 continues to be promising. Cost reper cent increase, this was achieved, Mr Hayek said, despite the depreciation of the dollar, the "aggressive behaviour" of Japanese ductions and the launching of new certificates and higher earings last products had brought about a "distribution of the dollar, the tinct improvement" in earnings, Mr 40.8 per cent of the consolidated balance sheet total from 32.1 per watchmakers, who cut prices sharply, and a collapse of sales to the

In fact SMH applied annual average exchange rates to calculate its the crucial 1986 turnover in Swiss francs but he added. had not adjusted the 1985 figure, when year-end rates were used.

four months of the current year to SFr 294m.

Results for 1987 should be as cent at the end of 1985. good as those for the previous year, occurred in external factors during ance sheet. the crucial last months of the year,

projected annual sales growth of 5 to 10 per cent in watches and of 10 products were introduced. to 20 per cent in the group's micro-

electronic products.

Globally SMH sold more than but at SFr 1.56bn their value was al-12m Swatches last year. but at SFr 1.56bn their value was al-most unchanged. The technology dimost unchanged. The technology di-SMH's performance in the first vision boosted sales by 11.8 per cent

A first issue of participation

In the parent company the equity provided no sudden deterioration accounts for 53.4 per cent of the bal-

Of the group's watch brands Omega returned to profit last year In the longer term, Mr Hayek after its model range had been slimmed to four main lines and new

The "rockwatch" helped produce a record year for Tissot but profits slipped at Rado, which was hit by Unit sales by the watch division increased by 3.2 per cent last year the decline in the Middle East

# Perrier to double

US sales By David Housego in Paris

PERRIER, the French mineral water and foods group, has doubled its mineral-water activities in the US with the purchase of BCI Arrowhead, the mineral water division of Beatrice Food. water division of Beatrice Food.

The acquisition is in line with Perrier's strategy of strengthening its market leadership in the US where it recently began to export flavoured Perrier water. With the new acquisition, Perrier's US sales will double to about \$45500.

The price of the deal has not been disclosed, but Beatrice has been trying to unload its mineral water division for about six months. Perrier said yesterday that the purchase would be fi-nanced largely out of borrowings. Perrier has been enlarging its

US interests in the belief that still low in the US but is on the increase. Mineral water sales throughout the US are rising about 15-20 per cent a year.

# Hertie aims to break-even

By Our Financial Staff

HERTIE, the West German department store group, hopes to break even this year after running up a net loss of DM 42.3m (\$24.4m) in 1986, less than half its DM 92m 1985 shortfall, according to Mr Juergen Krueger, the management board

Mr Krueger told the company's annual news conference that Hertie had closed a large number of lossmaking stores and should show no loss at the end of this year. For the first five months of 1987, overall turnover rose 1.7 per cent to DM 2.08bn, he said.

# Mövenpick Holding to raise acquisition SFr 33.8m in cash call

BY JOHN WICKS IN ZURICH

Swiss parent company of the shares at the same conditions and Mövenpick restaurant and hotel ask the July 2 annual meeting for group, is to raise SFr 33.8m approval to issue 200,000 further (\$22.8m) by a one-for-ten rights is discretion later.

The transaction foresees the offer to existing shareholders of 3,770 March 31, 1987, the holding companew bearer shares of SFr 500 nominary's net profits rose 17 per cent to nai value at SFr 4,000 each, 9,150 SFr 8.6m, from which it intends to registered shares of SFr 100 nomipay unchanged dividends of SFr 90 registered shares of SFr 100 nominal value at SFr 800 and 14,500 per bearer share, SFr 18 per regparticipation certificates of SFr 50 istered share and SFr 9 per particinominal value at a unit price of SFr

The board will also propose the issue to the employees' equity fund

turnover 'the group increased by SFr 10.7m to SFr 13m.

MÖVENPICK HOLDING, the of \$30 bearer and 2,350 registered 6.8 per cent to SFr 704.8m, including SFr 56.1m from managed proper

> Of this, some 62.9 per cent was accounted for by restaurants and fast-food outlets, 24.6 per cent by hotels and 12.5 per cent by production and trading activities.

The group, which operates pri-marily in Switzerland and Germany, reports a further increase in turnover and profits during the first pation certificate on an increased four months of 1987. Last year, overall capital.

In the calendar year 1986, total

42.8m to SFr 48.8m and profits from

# Ciba-Geigy agrees to buy Spectra-Physics for \$224m

BY LOUISE KEHOE IN SAN FRANCISCO

Spectra-Physics, a Catifornia manu-facturer of laser systems, for 38.50 agreement is expected to be condi-per share in cash, for a total value tional on at least 51 per cent of the

suit filed two weeks ago by Spectra-Physics accusing Ciba-Geigy of vi-olating the spirit of the large spirit of the company before olating the spirit of the business re-

of about \$224m.

The agreement is subject to the completion of current negotiations, said to cover several objections

shares being tendered.

Ciba-Geigy acquired an 18.8 per cent share in Spectra-Physics in 1985, and invested a further \$5m in

raised by Spectra-Physics to an ear- a joint research and development lier Ciba-Geigy bid of \$32 per share.

Outstanding issues include a lawgy agreed not to accoure more than

lationship between the two companies." however, prompted by the purchase of a 13 per cent holding in Spectra-

CIBA-GEIGY, the Swiss pharma-centicals and chemicals company, which all Spectra-Physics shares Steinberg, which according to Ciba-has agreed in principle to buy ment of the relationship between

> Ciba-Geigy said the acquisition of Spectra-Physics was part of a broader diversification plan which has included the acquisition of take the company into the medical diagnostic instrumentation field.

The current takeover bid was, instruments with medical applica-The merger is also subject to the Physics by Reliance Financial, a and the construction industry.

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**Hambros Bank Limited** June, 1987

This announcement appears as a matter of record only.



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Arranged by

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June, 1987



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NOTICE OF EARLY PREPAYMENT

THE SANWA BANK, LIMITED

US\$30,000,000 CALLABLE NEGOTIABLE FLOATING RATE CERTIFICATES OF DEPOSIT DUE 29TH JULY 1987

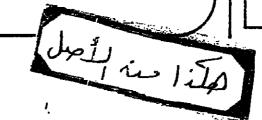
Notice is hereby given to the holders of the Certificates of Deposit that in accordance with clause 3 of the terms of the Certificate of Deposit, the issuer will prepay the outstanding principal amount of the certificates on the interest payment date falling 29th July, 1987, (together called the "Interest Payment Date" and the "Redemption

Payment of the principal will be made against the surrender of the Certificates of Deposit at the Bank's London Branch

The Sanwa Bank Ltd., Commercial Union Building, 1 Undershaft, London EC3A SLA

16th June, 1987

By Morgan Guaranty Trust Co. of New York London



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Aluminum Company of Canada, Limited uss120,000,000

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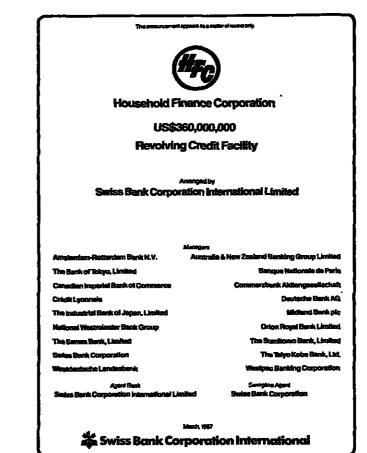
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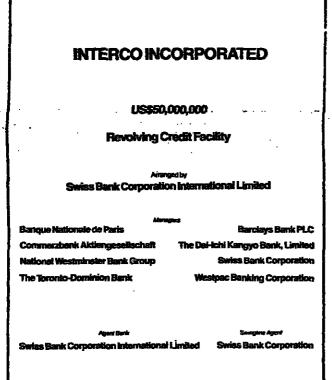
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US\$300,000,000

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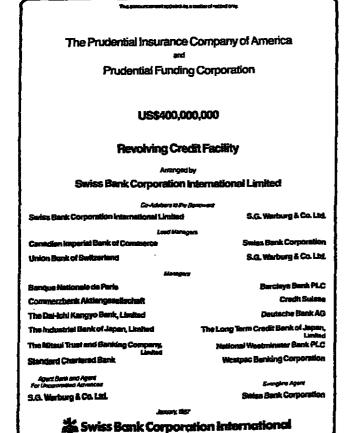
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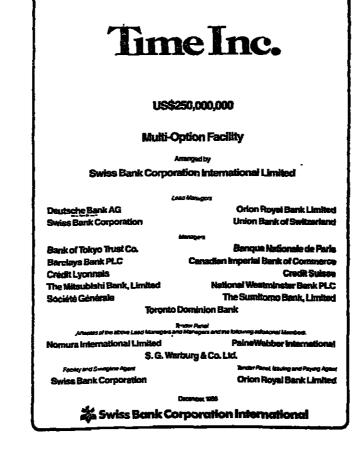
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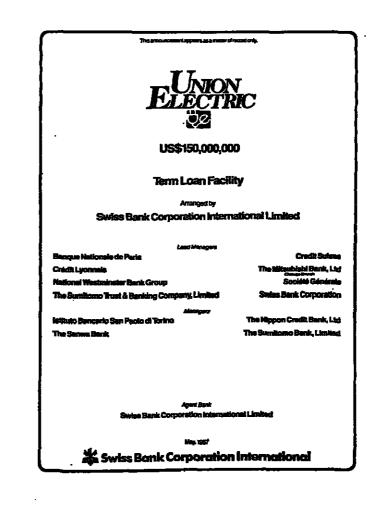
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Swiss Bank Corporation International

for James

and Sarich

By Bruce Jacques in Sydney

TWO AUSTRALIAN companies have announced signi-

ficant international deals, both

James Hardie Industries has

spent A\$100m (US\$71.7m) to expand further its US build-

ing products operations

through the acquisition of

two gypsum wallboard makers

—the Pacific South-West unit

of California's Domtar Indus-

tries and an unnamed com-

pany operating in Washing-

The purchases bring Hardle's US investments to

about A\$300m. In 1986. Hardie derived about 15 per

cent of its sales and nearly

25 per cent of its net earnings from outside Australia

Hardie

of them in the US.

# INTERNATIONAL COMPANIES and FINANCE

David Blackwell on an Australian prospector's progress to producer | US deals

# Dominion paves a new path of gold

DOMINION MINING of Australia has rocketed from the status of gold exploring company to a significant producer

June 1987

Banco di Sicilia International S.A.

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VESTLANDSBANKEN

US\$5,000,000

Subordinated Floating

Rate Notes

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For the six months, 17 June

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interest rate has been fixed at

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payable on 17 December 1987

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ili be US\$19,221-35 per note of US\$500,000 denomination

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AKTIESELSKABET VARDE BANK

US\$135,000,000 Financing

Arranged by

COUNTY NATWEST

US\$75,000,000

ECP Standby and Transferable Loan Facility

Provided by

NatWest Investment Bank Limited

Union Bank of Switzerland

US\$50,000,000 **Eurocommercial Paper Programme** 

US\$10.000.000

Private Placement of Subordinated Debt Arranged in Conjunction with

Union Bank of Norway

& The NatWest Investment Bank Groun

Banco di Roma, London Branch

Riyad Bank, London Stancts Licensed Denosit Tolors

County NatWest Limited

Kansallis Banking Group

First Interstate Capital Markets Limited

Istituto Bancario San Paolo di Torino - London Branch

Facility Agent

Technique Bank Limited

TO THE HOLDERS OF

McDONALD'S CORPORATION

Common Stock of the Company

Pursuant to Section 3.03 of the Warrant Agreement between the Company and Morgan Guaranty Trust Company of New York as Warrant Agent. Notice is hereby given that:

On May 15, 1987, the Company's Board of Directors declared a three-for-two Common Stock split effected in the form of a stock dividend.

As a result of the above, as of June 8, 1987, the Warrant Shares have been adjusted, in accordance with Section 4 of the Global Warrant, so that one and one-half (1.50) shares of Common Stock shall be deliverable upon exercise of one

Morgan Guaranty Trust Company of N.Y., Brussels Office, as Warrant Agent

1,020,000 Warrants to purchase one sha

BRED

June 11, 1987

in less than two years. This achievement has been reflected in the share price, which has risen over the period from 50 cents to A\$2.55, giving it a market capitalisation of

A\$211.3m.
Although the company has been in existence for many years, it started to take off in July 1985 when it acquired for US\$1m all the leases previously owned by the Anaconda Mining Company in Australia, Indo-nesia and the so-called Pacific "rim of fire"—where it has great hopes for the future.
"The whole dynamic of the gold mining business in the next century will be changed by the rim of fire discoveries," says Mr Peter Joseph, Dominion's

Anaconda was owned by Arco, the US oil group, which like many of the oil majors at

the time, wanted to move away from the minerals sector. Along with the leases Dominion acquired Anaconda's exploration team and a unique data base of mining prospects, built up over 20 years at a cost

Following the acquisition Dominion carried out further exploration in Australia, beginning open cast mines at Cosmo of fire—where the earth's plates Howley in the Northern Terri-carrying Asia, Australia and tory and Gabanintha in Western the Pacific Ocean meet—for the Australia. The first gold bar company's next mines.





Mr Peter Joseph, chairman (left) and Mr Peter Walker,

from the Cosmo mine was poured in January this year, near-term production and cash-and the company expects to flow in continental Australia," have the Gabanintha mine up he says. "This will allow the and running in late August."

Mr Joseph expects the company to produce 55,000 ounces of gold in the current year and nearly 70,000 ounces in 1988/89. With production costs of only U\$\$200 an ounce, he is forecasting net profits this year of between A\$15m and A\$20.8m rising to between A\$20.2m and A\$27.2m the following year.

But he is looking to the rim

"Our philosophy is to seek large exploration prospects in the rim of fire."

The epithermal gold to be found around the rim of fire is formed close to the surface where volcanic springs have existed in the past. Interest in the area was sparked by the Lihir discovery in Papua New Guinea in 1983, where reserves of 25m ounces of gold worth US\$10bn were found.

Companies such as BHP/ Amoco, CRA, and Emperor step at a time—and we have a Western are already mining long way to go."

intense

Dominion is well placed to exploit he possibilities of the rim. It has prospecting rights covering 30 per cent of the Solomon Islands, and has leases in the Kalimantan region of

"Our feeling is that there is more gold at Kalimantan than anywhere else," says Mr Peter Walker, the chief executive and

a geologist.
"Anaconda carried out diamond research there and found lots of gold—we picked up the traces and carried on.

"We are looking for large medium-grade deposits capable of producing 500,000 ounces of gold per annum."
The company's prospectors

have been in Kalimantan for a year already, and it will be another year before they have much to say. "It takes time and patience — but the rewards are immense," says Mr Walker. The company is proud of its youthful image, and believes that the mine and plant at Gabaintha rank with the most

up-to-date in the world.

Although Mr Walker and Mr
Joseph describe their reconnaissance of the rim of fire as
"very successful," they are
adopting a cautious approach to

"We are taking things one

Late last year, the US Food

\$4m within the next few years.

from outside Australia.

In the other deal, Sarich Technologies Trust has signed a licensing agreement for its orbital engine with Brunswick, the Illinois-based power boat builder. The deal, said potentially to be worth hundreds of millions of dollars, will entitle Brunswick to use will entitle Brunswick to use and sell the orbital combus-

ton state.

tion process in two-stroke engines for marine use worldwide.

Sarich directors said yes-terday that Brunswick would sell under the name Mercury and other Brunswick trade names, once certain technical and financial agreements had been executed. "Orbital been executed. "Orbital Engine Company, owned by Sarich and BHP, is currently in receipt of a signed agreement and a substantial pay-ment is due immediately," they said.

The deal gives Sarich, shares in which rose to 25 much as A\$24 each last year before sliding to a close in Sydney yesterday of A\$3.20, a chance to realise some of the potential seen by earlier investors.

The Australian Govern-ment is currently spending A\$500,000 on a study into a possible plant to build the Sarich engine in Western Australia and the company has non-exclusive agreements with Ford and General

**\*** 🗳

# Singapore plans to sell more airline shares

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE Government ing to 53 per cent, a bare over-THE SINGAPORE Government ing to 53 per cent, a bare overis to reduce its holding in Singapore Airlines (SIA), the
island's flag carrier, by a further 5 percentage points
through the sale of 30m shares
at an offer price of \$\$13 each.

SIA is meanwhile to convene SIA is meanwhile to convene

was reached in April last year, and by the end of last month some 8.3m shares held by over-seas investors were awaiting an extraordinary shareholders' meeting in August to seek approval for an increase in the ceiling on foreign ownership from 20 per cent to 25 per cent of the company.

The latest tranche of shares in line with the Government's programme of limited privatisa-

on offer would cut the stake of tion and follows an excellent performance by the airline Temasek Holdings, the state investment holding company, to 58 per cent. If the sale proves successful, Temasek is prepared changed in Singapore last night at \$\$13.20. to sell an additional tranche, up to a limit of a further 30m shares, thereby cutting its hold-

# Israeli pharmaceuticals group boosts profits 75%

BY JUDITH MALTZ IN JERUSALEM

TEVA Pharmaceutical In- ability has been attributed to dustries, which supplies some this shift in marketing. The 40 per cent of the Israeli drug US now takes two-thirds of US now takes two-thirds of market, has reported a 75 per cent jump in net profits for the year to March to US\$14m. Teva's total exports, compared with only one-third two years ago. Sales to the US are

Total revenues for the com-pany, a subsidiary of the Koor 1990. expected to reach \$80m by conglomerate, grew by more than half to \$140m. Of these, and Drug Administration approved a new anti-epilepsy overseas sales accounted for drug developed by Teva and and called Epitol, sales of which are forecast to climb to

Until the early 1980s, most of Teva's products were either sold in Israel or exported to Africa. The company—shares of which are traded over-the-counter in New York—had by then decided to shift its focus

# JRA bids for Mercedes distributor

The sale offer by Temasek is

The share price closed un-

By Our Sydney Correspondent

bought from Rover Group of the UK in a A\$66m (US\$47.4m) management buyout earlier this year, has launched a A\$24.6m takeover bid for Austral Group, the country's Mercedes distributor.

JRA has reached agreement to buy the 14.9 per cent stake in Austral held by Evans Deakin Industries, a Queensland engineering group, and plans to offer A\$1.20 a share for the rest.

The bld is conditional on 51 per cent acceptance and Touche Ross, JRA's independent ad-visers, estimates the value of Austral shares to be in the range of A\$1.15 to A\$1.20. No Austral shares traded in Sydney yesterday, but there was a buying quotation on the boards at the bid price.

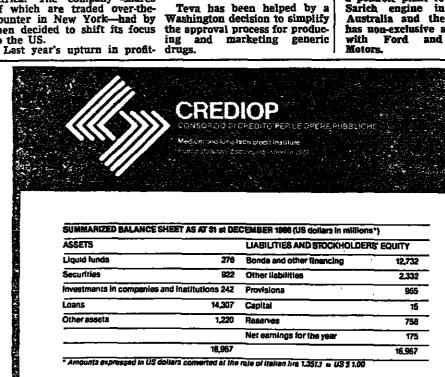
# Brierley in property link

PROPERTY development activities of New Zealand's Brierley Investments (BIL) will be channelled into a new joint venture involving Wellesley Resources, a listed developer, Reuter reports from Wellington.

The new company Brierley

The new company, Brierley Cromwell Property, will absorb the property development activities of both, while BIL will buy up to 30 per cent of Wellesley.

Mr Graeme Bringans, Welles-ley chairman, said: "It brings us close to a portfolio of pro-perty worth probably NZ\$ 1.5bn (US\$888.5m)."



-The accounts for the financial year 1986 closed with net earthigs of US\$ 175 million, after chargas for various provisions totalling US 5.86 million.

—The Stockholders' Meeting approved the transfer of US \$ 170 million of the net earnings to reserves, which thus reach US \$ 928 million.

- Loans granted in 1986 amounted to US \$ 2,380 million, have an average term of 5 years and 11 months and were distributed as follows: 87% to Corporations, 8% to Local Authorities, 19% to Public Entities and 8% to Foreign Entities.

The statutory accounts for 1985 have been audited by Peat, Manuick, Mitchell & Co.

HEAD OFFICE:

Via Oulntino Sella, 2 Tel. 06-47711 Telex 611020 CRDPRO I

REGIONAL OFFICES: MILAN Via Brera, 19

NAPLES Via Medina, 40 BARI

ASSOCIATED COMPANIES:

· AFIN S.p.A. - Rome · C. FIN S.p.A. · Rome • CREDIPAR S.p.A. - Rome

• CREFID S.p.A. - Milan

· PROMOTIO S.p.A. - Milan

# U.S. \$110,000,000

Azienda Nazionale Autonoma delle Strade

Floating Rate Notes Due 1990 By virtue of existing legislation direct and unconditional general obligations of

The Republic of Italy

For the six months 16th June 1987 to 16th December 1987. In accordance with the provisions of the notes, notice

is hereby given that the rate of interest has been fixed at 7% per cent per arnum and that the interest payable on the relative payment date 16th December 1987 against Coupon No 3 will be: US\$ 384.43 per \$10,000 and US\$ 9,610.68 per \$250,000.

> The Industrial Bank of Japan, Limited Agent Bank

U.S. \$300,000,000



# Crédit Lyonnais

Floating Rate Notes Due 1996 Tranche of U.S. \$200,000,000

Interest Rate Interest Period 711/16% per annum

16th June 1987 16th December 1987

Interest Amount per U.S. \$10,000 Note due 16th December 1987 U.S. \$390,78

Credit Suisse First Boston Limited

1987 Year to April 4th 1986 £62.1m Profit before taxation £33.3m 65.4p Earnings per share 53.4p

**PRE-TAX PROFIT UP 87%** 

**EARNINGS PER SHARE UP 22%** 

**DIVIDENDS PER SHARE UP 13%** 

**TOTAL DIVIDENDS UP 108%** 

15.26p\* Dividends per share (net)

13.48p £10.5m\*

\*includes recommended final

Total Dividends

Siebe plc, Saxon House, 2-4 Victoria Street, Windsor, Berkshire SL4 1EN

£5.0m

# INTERNATIONAL CAPITAL MARKETS

# **Currency hopes lift Eurodollar** issues

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A GROWING belief that the dollar may have hit its lows boosted the Eurodollar bond market, but depressed the D-mark sector yesterday, as the currency stayed firm in the wake of last Friday's encouraging US trade and inflation figures.

\$50m bond for Toyama Chemical, with an indicated 1½ per cent coupon, and a \$40m issue for Yamamura Glass, with an indicated 1½ per cent coupon. This traded at around 99 bid. While Toyama's deal was quoted at 101 bid.

Prices of five-year Eurodollar bonds rose by about a point dollar's strength against the while longer-dated issues yen, while a rare Euroyen issue achieved gains of up to one for a US savings and loan instipoint, as D-mark Eurobonds eased by between 1 and one

### INTERNATIONAL BONDS

point on dwindling expectations of currency gains.

Professional short covering provided the main impetus to the improvement in the Eurodollar market. But dealers reported moderate retail buying, particularly of the shorter-dated issues, whose yield spreads relative to US Treasury bonds have narrowed to a lesser extent than on the longer-dated issues.

Meanwhile, the Eurosterling market eased along with gilts as buyers of sterling still failed to emerge, dimming hopes of an imminent post-election cut in bank base lending rates. This left last Friday's three new five-year issues, for Amro, Banca Nazionale del Lavoro, and Swedish Export Credit lan-guishing at around less 3, well outside their fees.

Activity was limited on the new issues front, with a trickle

Deutsche Bank Capital Markets led an A†50m three-year 98 bid. non-swapped issue for GMAC
Australia Finance with a 14 per
cent coupon and 101; issue sives group, brought a LFr300m

In the equity warrants area, Yamaichi International an issue price of 1001. Banque (Europe) led two five-year parparised issues. These were a ing the issue.

Euroyen prices eased by about i point on concern at the for a US savings and loan insti-tution emerged under the joint leadership of Banque Paribas Capital Markets and IBJ Inter-

This was a Y7bn colinteralised five-year bond for Lincoln Savings and Loan Association,

priced with a 47 per cent coupon and 1017 issue price. The stronger dollar and the prospect that the US economy may be strengthening upset the German bond markets, which experienced unus: ally sharp falls. Domestic bond prices were as much as one point lower, while prices in the Euro-D-Mark

bond sector fell by up to 1 point. Thus the timing was less than perfect for a DM150m issue for Malaysia. The seven-year bond carried a 61 per cent coupon and a price of par and was led by Deutsche Bank.

In quiet trading in the Swiss market, prices were little changed. There was one new issue, a SFr100m public offering for Pargesa, the financial services company, carrying a maturity of eight years, a 41 percent couper for Pirelli and Co. The bond, which when final terms were set hed its gire and terms were set had its size and of moderately sized deals emerg-ing. maturity reduced and its coupon raised from that originally envisaged, traded at about

> issue carrying a 71 per cent coupon, a five-year maturity and

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

# **OECD** calls for greater provisioning consistency

By David Lascelles,

GREATER CONSISTENCY in the provisioning practices of banks from different countries would help to strengthen the international financial system and lead to fairer competition, according to a report by the Organisation for Economic Co-operation and Development.

The report on prudential supervision in OECD member countries said that "the disparity of provisioning tech-niques as well as of actual levels of provision continues to be considerable across countries and banks."

The report says that bank-ing supervisors are keeping situation under constant review, and it expects that this should lend over time to greater compatibility of approaches and practices. But it predicts that pro-

gress will be slow until progress is also made (a) collateral issues such as accounting and taxation which have a big influence on banks' ability or willing-ness to make provisions. The report also notes that

some countries, like the US, have mandatory provision requirements for countries in financial difficulties. The issue of greater consistency on provisions has been raised by Citicorp's decision last month to set aside \$3bn against possible losses on its Latin American

action. But banks in other countries are still considering their response. "Prudential supervision in banking." 298 pages. OECD. 2 Rue Andre Pascal, 75775 Paris Cedex 16.

Closing prices on June 15

| Change | C

### Change and ### Ch

loan portfolio. This has prompted other banks, mostly in the US, to take similar

# and they have a smaller exposure. They also accelerated **Sullivan Mines**

**Swiss franc** 

issue withdrawn By Our Euromarkets Staff A SFR 25M convertible issue

for Sullivan Mines, the Canadian company, first announced on June 5, was withdrawn from the Swiss franc foreign bond market yesterday after shareholders had rejected the deal last Friday.

Sullivan's president and chief executive, said that share-holders' representatives on the board had objected to the issue both because of the cost of covering the exchange risk and because of the 34 per cent dilution of existing shareholdings if the bond had been fully converted.

Cambior, floated last year after it had become the recipient of many of the Crown corporation Soquem's mining assets, holds a 30 per cent stake in the company. Banque Indosuez, the projected lead-manager of the SFr 25m eight-year bond for Sullivan, described its with-drawal as "extremely drawal as embarrassing."

The withdrawal comes in the wake of a crop of cancellations in the Swiss franc foreign bond market recently, most notably that by Primerica, the US financial services company, of a SFr 125m bond prior to its agreed bid for Smith Barney, the US banking and securities

# Oslo rejects plan to tax share trading

By Karen Fossii in Oslo NORWAY'S Storting (parliament) spurned the minority Labour government's proposal to implement a 2 per cent tax on all share trading

cent tax on all share trading and has instead increased the capital gains tax from 35 per cent to 40 per cent.

The government proposed the law in its revised national budget in May as a means to raise some NKr 400m for state coffers. The proposal came under heavy fire from came under heavy fire from the market which believed that it would have frightened foreign investors from Norway to major trading centres like London.

When the proposal for the share trade tax was announced it caused the Oslo bourse to register its steepest ever one-day fall. The bourse index sank to 299.98, pluging 13.17 points or 4.2 per cent. The government has sought greater control over the Oslo stock market because of constock market because of con-cern about insider trading and volatility caused by short term trading. The Finance Ministry, which oversees the Oslo bourse, Says that new regulation is largely in line with similar regulations enforced in Sweden and Denmark.

# Japan eases time deposit regulations

THE Bank of Japan will relax requirements on large-denomination time deposits effective on October the fifth in a series of financial liberalisation measures being taken by Japan, Bank officials said this weekend, Kyodo reports from Tokyo. The minimum period of deposit for large-denomina-tion time deposits will be shortened to one month from the present three-month

requirement.
At the same time, the minimum deposit for money mar-ket certificates (MMCs) will be lowered to Y10m from the current, Y20m regulation, the

# David Lascelles explains the dilemma over providing cover for Third World loans

# UK clearers hesitate to 'do a Citicorp'

debt-ridden developing countries has turned out to be acutely embarrassing for British banks. They feel under pressure to follow suit. Yet they have always maintained that provisions must be a matter for each bank to decide. Also, good form requires that all the clearers do roughly the same thing, so a measure of co-ordination may be newled with the help of the Bank of England. The Bank's only public utterance on the subject was its comment on the day after Citicorp took its \$3bn "hit"—that it considered provisioning to be a "continuing process." rather implying that it did not want

American lead.
Generally, the UK clearers are believed to be better provided than the US banks because they have been build-

ing up their reserves over time,

UK clearers to follow the

American lead.

gradually. But this was not unexpected since Midland has the largest Latin American exposure of the clearers and, relatively, the smallest capital. Were Midland to match Citicorp, it would have to make a provision of over £600m, considerably more than this year's

ation to their Third World loans, and enable them to "r sold in the secondary market. A further attraction of lif the move was well received in the stock market, it the stronger banks, would be could raise the banks' share to gain a competitive advantage price, as happened in the US. over those less well-placed. So bankers have been sounding out likely reaction. Would it be taken badly if they took a hit. or would it be worse if they did not. Would any announce-

Bankers also say that they uniformity.

expected profits of £500m.

The other three banks,
Lloyds, NatWest and Barclays,
are carefully weighing up the
pros and cons. The advantage
of "doing a Citicorp" wou's be
to bring a more realistic valu-

ment have to be accompained auditors (who also sign off on by an assurance that the divi-

THE DEEP silence emanating from the UK clearing banks on the question of provisions for Third World debt is the sound of bankers wondering hard what they should do. "We're thinking about it." was the thinking about it." was the trypical response from a senior clearing banker last week.

The planks of last year as the world debt situation deteriorated. But only one of the Big Four has stated clearly what it intends to do in the wake of thinking about it." was the trypical response from a senior clearing banker last week.

The planks of last year as the world debt situation deteriorated. But only one of the Big Four has stated clearly what it intends to do in the wake of intends to do in the wake of learned by the Citicopp. That was Midland been strengthened by the Citicopp move and by the emergence of a secondary market for Third World loans where generous tax treatment has immediately to write down to a similar level any new loans made to that country as part of a refinancing package. Apart visions to the equivalent of 25 per cent of their loans over a two-year period.

The planks of Revenue over the amount of

End 1986 Exposure adj for \$1.63 rate plus Accumulated Additional new money provisions as a provisions packages £bn % of exposure† required £m† adj for one off provision increase £m Lloyds Midland NatWest †Estimated 315

Source: Smith New Court

values can be ascertained. A further attraction of doing a Citicorp, at least for This motive may well have been on Citicorp's mind as well. British banks now seem less well provided than most US and Continental banks, and their under pressure to achieve more

from being costly, it would discourage banks from partici-pating in new loan agreements. Another is that a big pro-vision would weaken a bank's capital base if it was earmarked for particular loans. not the case in the US where the entire loan loss reserve can

be counted as capital.
Of the clearers, NatWest seems most inclined to make a large provision. It can afford to: it has both the smallest Latin uniformity. American exposure and the their However, there are also draw- largest capital. Lloyds and July.

The Bank will not commend on its position. Yet it would be uncharacteristic of the Bank to lay down hard and fast rules on a matter as sensitive as bad debt provisions. The Bank is more likely to keep pressing the banks to make provisions, using the Citicorp case to reinforce the argument.

The situation would also be clearer if the new UK-US accord on bank capital were already in force (it will not be until the end of this year). Although it does not refer to provisions, officials say this is an area where closer policy co-ordination may be needed, particularly in cases where UK and US bank sare holders of the

makes an earlier announcement. their response to Citicorp will not be known until they report their interim results in late

# Vacant TSE seat worries foreign brokers

A VACANT seat on the Tokyo Stock in October before the exchange ex-Exchange (TSE), created by the planned merger of two mediumsized brokerage houses affiliated with Nomura, has stirred considerable concern among foreign brokerage houses.

Toichi Securities and Taiyo Securities are to merge on October 1 into a joint company which will be 77 per cent owned by the Nomura

one of their two present TSE seats in order to make the Japanese fi-

pands its membership next May. No decision has been taken on whether the vacant seat will be sold to a foreign broker - a step that would defuse some of the present tension over the issue - but a Nomura spokesman said the company would leave the decision to the TSE

The US and British Governments have been pressing the TSE to allo-The merged brokers will vacate cate more seats to foreign brokers

foreign companies.

rill Lynch lost out in a bidding batrill Lynch lost out in a busing set the to Utsunomiya Securities. Merrill's bid was said to have been "far below" the Y1.639 bn (\$11.7m) paid last year, the cost of aquiring members and between the cost of aquiring members.

backfired when the US Govern- cording to TSE officials.

nancial markets more accessible to ment complained that it constituted an obvious attempt to exclude for-Last time a TSE seat became va-cant, as a result of the merger of three Yamaichi Securities group companies in December 1984, Mer-

bership was estimated between However, Yamaichi's decision Yl.0bn and Yl.1bn on average, ac-

# Rules tightened for Portugal's listed companies

have to publish half-yearly reports providing full and accurate information about their consolidated balance sheets, investments and financial operations, writes Diana Smith

ment has published a decree that ports, will be liable to fines for the first time makes full and ac-

Stockbrokers, meanwhile, are present software. curate financial reports compulsory pressing for more sophisticated share price systems on the Portu- ues to grow rapidly.

COMPANIES listed on Portuguese stock markets will from now on have to publish half-yearly reports

Complying with European Community directives and tightening up with the decree, which gives them price change a day is announced. The brokers want continuously upmarkets, the Portuguese Govern- yearly accounts to publish their re- dated price changes, which would involve several alterations in the

The Portuguese market contin-

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All these Notes have been sold. This announcement appears as a matter of record only.



NZ\$60,000,000

18½ per cent. Notes Due 1989

Issue Price 1011/4 per cent.

**Hambros Bank Limited** 

**Bankers Trust International Limited** 

Banque Bruxelles Lambert S.A.

**Credit Suisse First Boston Limited** 

Algemene Bank Nederland N.V.

Bank of New Zealand

Banque Internationale à Luxembourg S.A.

Crédit Commercial de France Daiwa Europe Limited

**EBC Amro Bank Limited** 

Dresdner Bank

Crédit Lyonnais

Aktiengesellschaft Fay, Richwhite (U.K.) Limited

Goldman Sachs International Corp.

Mitsui Finance International Limited

McLeod Young Weir International Limited

Morgan Stanley International

Rabobank Nederland

Security Pacific Hoare Govett Limited

Westdeutsche Genossenschafts-Zentralbank eG

Aktiengesellschaft

Vereins- und Westbank

Wood Gundy Inc.

June, 1987

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Canadian Pac. 103, 90 CS. 189
Centair Fin. 113, 95 CS. 75
Chrysler Corpn. 10 91 CS. 75
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Corporati Floating Rate Notes: Denominated in dollars unless otherwise indicated Coupon shown is minimum. Cate of Bate next coupon becomes effective. Spread—Margin above strometh offered rate (the three-month of above mean rate) for US dollars. Copn—The current coupon.

Convertible Boads: Denominated in dollars unless otherwise indicated Chy. day = Change on day. Crv. date = First date for conversion into shares. Cau, price—Nominal amount of boad per stare expressed in currency of stare at conversion rate fused at issue. Prems—Percentage previous of the current effective price of acquiring shares via the born over the goal recent price of the shares.

The prices over the past week were supplied by: Kredictbank NV; Commerchank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozantrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredictbank Luxembourg Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co. Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Divar Europe NV, Bank of Tokyo International; Chemical Bank International; Citize Mammational; Citize International Google Tenning and Co.; First Chicago; Goldman Credit Comparercial de France (Securities); EBC Amro Bank; LTCB International; Chopert Fleming and Co.; First Chicago; Goldman Cordit Generational; Hambrot Bank; IBJ International; Kidder Peabody International; Marrill Lynch Pierte Fennesand Smith; Morgan Stanley International; Nikdo Securities Company (Europe); Nomura International; Orion Royal Bank; Samue Montagu and Co.; Societa Generale Strauss Turnbull; Samhomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

# FT LAW REPORTS

# Charterers' option survives

repudiation

FERCOMETAL SARL V MEDITERRANEAN SHIPPING COMPANY SA

Court of Appeal (Sir Nicolas Browne-Wilkinson, Vice- Chan-cellor, Lord Justice Parker and Lord Justice Ralph Gibson): May 22 1987.

A person who has an option to cancel a contract in certain circumstances but who repudiates it in anticipatory is subsequently breach. entitled to cancel the contract if his repudiation is not accepted so that the contract including the option survives, and if due to no fault of his the specified circumstances giving rise to exercise of the

The Court of Appeal so held when dismissing an appeal by Mediterranean Shipping Co SA, owners of the Simona, from a decision by Mr Justice Leggatt that the charterers, Fercometal SARL, were not liable to them for dead freight.

LORD JUSTICE PARKER said that on June 11 1982 a charterparty was made in the Gencon form for the carriage of a partcargo of 6,000 metric tonnes of steel from Durban to Bilbao, in

The vessel was expected to be ready to load on July 3 1982. The charter provided that should she not be ready to load on or before July 3-9, charterers had the option of can-

Owners had an option to complete with other cargo, but that was not to interfere with loading under the charter. On June 29 owners advised

shippers that the vessel was nominated under the South African Transport Services permit system to load from July 6 to 9.

On July 2 the owners requested an extension of the cancelling date to cover loading dates from July 13 to 16. The charterers said the later loading dates were unaccept-able and that they were can-pay \$116,870. Mr Justice Legcelling the charter.

It was common ground that, that constituted a repudiation of the charter by anticipatory breach. The repudiation was not accepted by the owners. On July 5 they telexed charterers that contrary to previous com-munications the vessel would start loading July 8.

At the same time the notice of intention as inopera- has been affirmed by the inno-

charterers received information tive . . that the Transport Services permit to load would be granted keeps the contract alive for the benefit of the other party as for July 13-16. well as his own; he . . . enables By July 5 about 4,700 tonnes of the 6,000 tonnes of steel had

460, 470.

That was adopted in John

the vessel was not ready to load by July 9, had occurred which

justified the charterers, by ex-ercising their option, in declin-

No authority was cited to

The law as stated in John-

stone v Milling had been re-

asserted in many cases since. In Heymand v Darwin [1942]

said that where a contractor in-

sisted on holding a repudiating co-contractor to the bargain, the co-contractor "has the oppor-

tunity of withdrawing from his false position, and even if he does not may escape ultimate

liability because of some super-vening event not due to his

an end to further performance."

thereafter an event occurred

which prima facie enabled the

In Howard v Pickford [1951] KB 417, 421 Lord Justice

due to his own fault.

That passage provided the

ing to complete.

been in Durban since July 2, and the charterers had provisionally fixed the Leo Tornado to carry it to Bilbao. They now confirmed the fixture.

Later on the same day owners notified charterers that Simona would be ready to load on July or 8. The vessel arrived in Durban on July 8 and gave notice of readiness. It was not accepted by the charterers who endorsed it "vessel off charter 2/7." They began loading into Leo Tornado on the same day.

On July 9 the owners telexed the charterers that the vessel was now open for the cargo and would charterers confirm their intentions. Charterers did not reply. On July 12 they gave a further cancellation notice. They tendered no cargo thereafter and in due course the vessel sailed from Durban.

Simona was not ready to load until after July 12. The owners contended that charterers were not entitled to cancel so that the cancellation and failure to tender cargo were repudiations of the char-terparty which were accepted

by the departure of the vessel, and they were therefore entitled to damages by way of dead freight. The issue was whether the right to cancel which prima facie accrued to the charterers because the vessel was not ready to load by the cancelling date, had been lost because of prior events namely the repudi-

ation of July 2 and the subsequent fixing and loading of the Leo Tornado]. The owners' claim to dead freight succeeded in arbitration. pay \$116,870. Mr Justice Leg-gatt allowed the charterers'

pealed from his judgment. In Frost v Knight (1872) 7 Asquith said: "An unaccepted Ex 111 Chief Justice Cockburn repudiation is a thing writ in said that where a party to a water and of no value to anycontract announced his inten-tion not to perform it prior to rights body; it confers no legal rights . . " In Suisse Atlanti-que [1967] AC 361, 398 Lord Reid said: "Where the contract time of performance, . . may treat the

cent party . . You must either affirm the whole contract or rescind the whole."

Having affirmed the contract on July 5 after charterers' repudiation, owners could not contend that the contract survived minus the option.

In the absence of clear the other party . . . to take authority creating an exception advantage of any supervening to the general rule the court circumstances which would justify him in declining to comhad lost their option once owners had, by their telex of July 5, clearly elected to affirm the contract.

stone v Milling (1886) 16 QBD The question was whether subsequent events could have On the face of it, what hapsuch effect.

pened in the present case was that a "supervening circum-stance," namely the fact that The rejection of the notice of readiness could not do so for it was nothing but an untrue statement that the vessel was ready to load. The fact that it was endorsed made no difference. Such endorsement could have been no more than support the proposition that charterers would no longer be a further anticipatory breach, The same applied to the fixing and loading of Leo Tornado.

entitled to exercise the option. It would be contrary to all authority so to hold. The contract would not then be kept alive for the benefit of charterers as well as owners. Those could have been no more than anticipatory breaches, for the obligation to load the steel did not, on the terms of the charterparty, arise until valid notice of readiness had been given, and none ever was. On July 9 the owners AC 356, 361 Lord Simon LC reaffirmed the contract.

As a matter of general principle therefore, the charterers had not lost their option by events subsequent to the owners' affirmation of July 5.

Nothing was shown to warrant a departure from the general rule that where an inhocent party elected not to accept a repudiation the repudiating party could rely on any subse-quent event which excused him.

key to the solution in the pre-sent case. If an unaccepted repudiation by anticipatory breach had no legal effect but It was not a question of deterpened or of readiness and willingness to perform. The factual situation giving rise to the option actually occurred and unrepentant repudiating party to escape liability because it excused further performance, it would do so unless it was charterers were entitled to cancel. The appeal was dismissed.

The Vice-Chancellor and Lord Justice Ralph Gibson agreed. For the owners: Michael Dean, QC, and A. Fenton (Lloyd &

For the charterers: D. Donaldson, QC, and H. Page (Holman Fenwick & Willan).

> By Rachel Davies Barrister

# Leyland Bus strengthens board

LEYLAND BUS GROUP, which earlier this year was the subject of a management buy-out from the Rover Group, has appointed two non-executive directors. Mr Irwin Dalton, executive vice operations of the National Bus Company, and Mr Malcolm Norgate, until recently chairman and chief executive management and operations of the National Bus Company, and Mr Malcolm Norgate, until recently chairman and chief executive of Quinton Hazell, join the team of six appointed directors of BARING Hazell, join the team of six executive directors led by Mr Ian McKinnon, chairman and chief executive, which completed the ouy-out in January.

Mr Sam Wainwright has been appointed to the board of AMDAHL (UK) as a non-executive director and has been appointed a trustee of the Amdahl (UK) Pension Fund. Mr Wainwright is chairman of Mainwright is chairman of Mander (Holdings), a non-executive director of BICC and a member of the Monopolies and

Mr Charles Cotton, chief executive of the UK thermal division, has been appointed to the board of THERMAL SCIENTIFIC. He is responsible for a business which comprises five companies, Carbolite, Torvac, Westers Thermal Processing Wentgate, Thermal Processing and Sharetree. His new role will also include marketing and technical llaison with Thermal's US companies including the recently acquired Vacuum Industries Inc. Mr A. B. Morgan has retired from the board.

Mr David Suratgar, a director of Morgan Grenfell & Co, has been elected chairman of the WEST INDIA COMMITTEE in succession to Mr Christopher Thornton, a director of Rediffusion, Mr Tom Chellew, regional electron of the chellew electron of t director of Cable & Wireless, has been elected deputy chairman.

### **Powell Duffryn** engineering director

POWELL DUFFRYN has appowell. Duffryn has appointed Mr Freddie Brcher as an executive director from July 6. He will assume responsibility for the engineering interests of the group at home and overseas and will become chairman of a number of subsidiary companies including Hamworthy Engineering. He has spent most of his working life with the Alcan Group in life with the Aican Group in Europe. Latterly he was managing director of subsidiaries in Belgium and France as well as a member of the Aican European management committee.

BABCOCK CONSTRUCTION, a division of Babcock Energy, has appointed Mr Andrew Innes as director of construction. He was appointed commercial projects manager of the construction division in 1930.

Mr Robert and Mr Graham
Bourne have been appointed director. He is managing director of its property finance subsidiary. Chancery Securities Pinancial Services.

Andrew Blurton has been appointed managing director. Mr Robert and Mr Graham Bourne will continue to be wholly responsible for property acquisitions and development of director of Field Aircraft Services.

Bernard Taylor have been appointed directors of BARING BROTHERS & CO. Mr Smith and Mr Taylor are both members of the Barings corporate ice department.

Mr Crawford Murray has been appointed director of financial services of TEAM AGENCIES. He was a senior manager with the Royal Insurance group. Team Agencies, formed in October last year, claims that its estate agency shareholders can offer independent "best advice" on

Crawford Murray

aspects of financial services. It provides training and market-ing resources to its members. Barclays Bank—which receptly barciays Bank—which recently bought a 3 per cent shareholding in Team Agencies—is making available £150m for mortgage finance. Other shareholders are Brown Shipley, Commercial Union, Legal & Gezeral, Norwich Union and Scottish Life,

Mr Nick Harris has been appointed a director of BRYANT PROPERTIES. He is the senior investment manager and responsible for the acquisition and disposal of property investment opportunities. Mr Bob Jones has been appointed a director of Bryant Homes Southern, responsible for all the construcrespounsible for all the construc-tion activities of that company.

COUNTY NATWEST has appointed a Japanese warrant and convertible trading team, recruited from Nikko Securities. The team, which was built up over the past 18 months, is led by Mr Nichelas Brown, who joins as an associate director, and who will be bringing six other traders and three settlements staff with him.

CHANCERY SECURITIES has appointed Mr Brian Rubins as a director. He is managing director of its property finance subsidiary. Chancery Securities Pinancial Services.

vices (Heathrow; and Mr P. J. Stewart, managing director of Field Aircraft Services (East Midlands), and a director of Air Bridge Carirers.

CARLTON MAGAZINES, part of Reed International, has appointed Mr Martin A. Matthews as managing director.

PROTOCOL INTERNATIONAL has appointed Mr Kenneth Wilson as sales director. Mr Richard Pugh and Mr James Reynolds have been appointed nonexecutive directors.

CROWN WALLCOVERINGS has appointed Mr Geoff Pearce as director of design. H was design director at the House of

REED BUSINESS PUBLISH-

ING has announced that Mr John Hallam, managing director of its industries division, has been appointed to the board. Mr Peter Bryant, managing director of TYZACK AND PART-NERS (BRISTOL), is, in addition, being appointed a partner of the London office.

Mr David Parker has been appointed financial director of FERAG UK, Harlow. He was

Mr John Hayter is joining GEOFFREY MORLEY & PART-NERS on June 17. He will be in charge of Far Eastern equities and is being appointed a director of Geoffrey Morley & Partners and Geoffrey Morley United Managers. He joins from Kleinwort Grieveson.

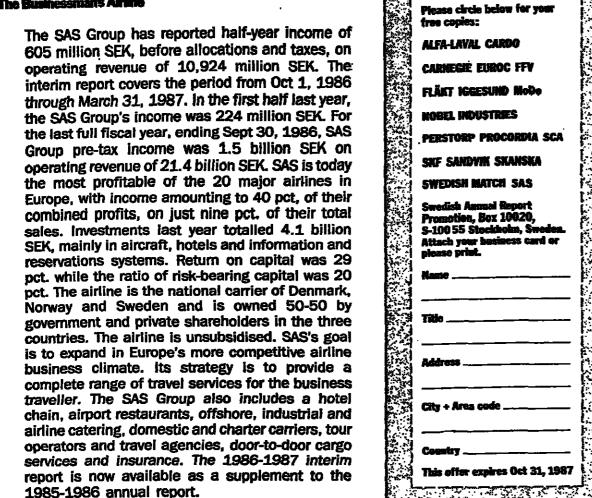
Mr Roy Fenton is joining the board of TELESNAPS as a non-executive director. He is chief executive of CEA and chairman of Quadrant Visual Management.

Mr Antony D. J. Brown is joining the board of ROBERT FLEM-ING AND CO. as a director in the corporate finance department. He was previously an associate director in S. G. Warburg's corporate finance department.

Mr Andrew J. D. Murray, man-aging director of Mulit Metals (Scot) has also been appointed to the board of BIJAY MIMTEC. Livingston, as sales director.

Mr G. N. Gent (Allied Vint-ners) has been re-elected chair-man of the WINE AND SPIRIT ASSOCIATION for 1987-88, and Mr T. Q. Abell (Edward Sheldon) has been elected president.

Professor Michael Bromwich, who holds the CIMA chair of accounting and financial manageaccounting and financial management at the London School of Economics, has been elected president of the CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS for 1987-88. He takes over from Mr Peter Lawrence, finance director of Thomson Regional Newspapers.



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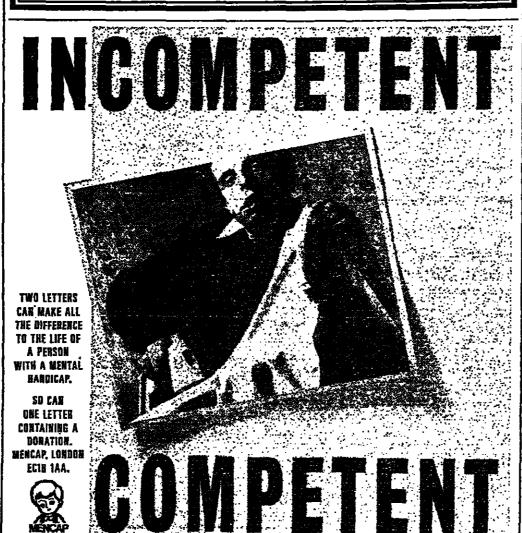
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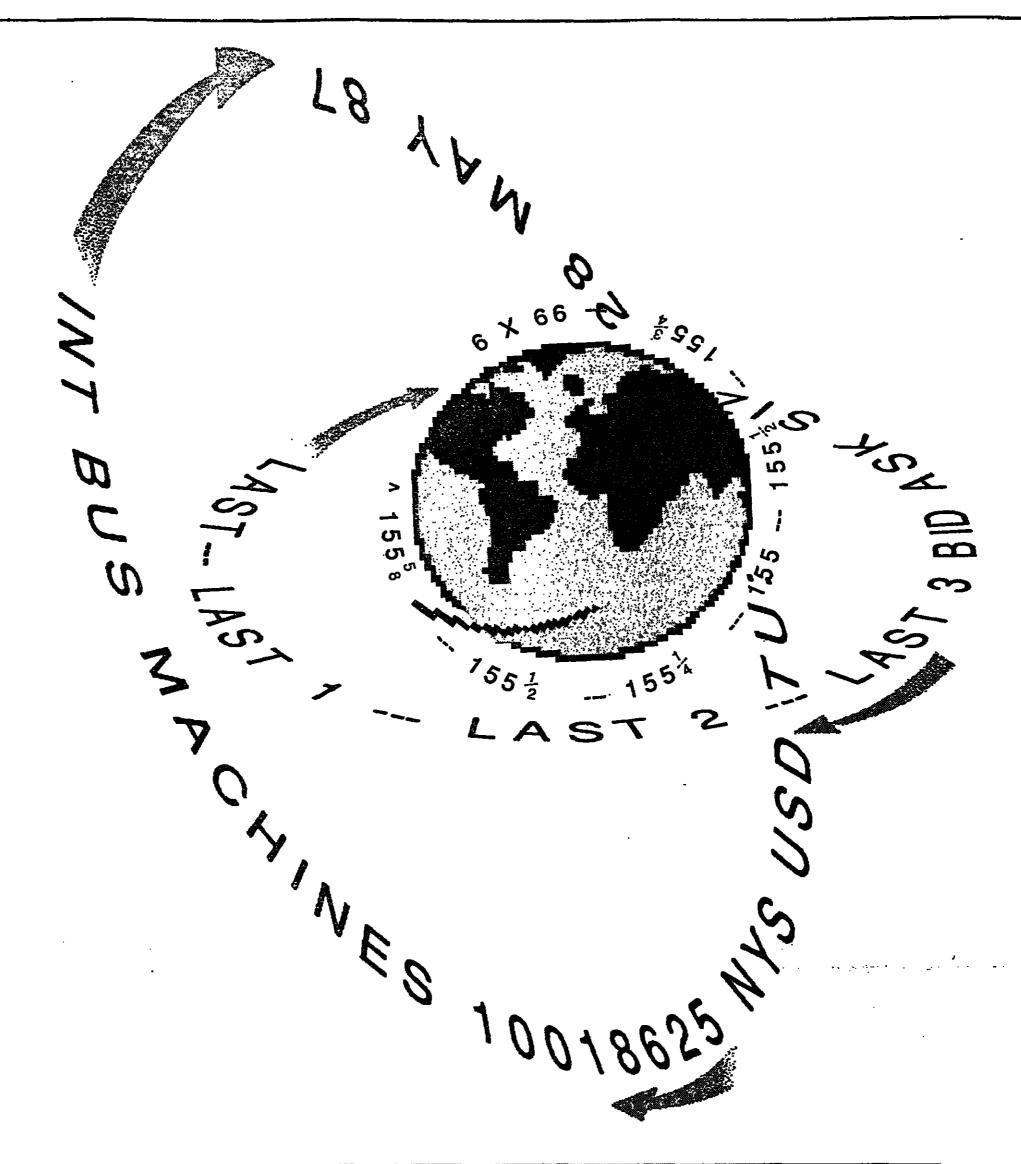
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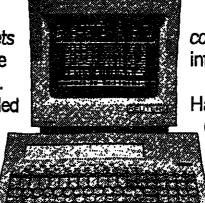
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2000 - AND BEYOND -

Wordplex

package

blocked

By David Thomas

Wordplex's

Wordplex had put together

tries, a management services

concern specialising in the information technology field.

Dr Geoff Bristow from Octagon, who is also Word-plex chief executive, said Wordplex and Octagon would

not be trying to put together

an improved refluencing package. Octagon's role in

Wordplex would end once

Word j'ex's future was deter-

He added: "my role now is to assess all the options and to work to get the very best

solution for the shareholders

Dr Bristow said Wordplex

and Octagon would be in a strong position in any discussions with Apricot because of the large number of votes cast in favour of the re-financing proposal.

Mr Roger Foster, Apricot

and employees."

re-financing

Shareholders of Wordplex

Information Systems, less-making office automation group, yesterday blocked Wordplex's refinancing pack-

NEW BID OF £315M IN RETURN FOR RECOMMENDATION

# WPP offers to raise JWT bid terms

services group which is making an audacious bid for JWT Group, the large and old-established US company which takes in the J. Walter Thompson

In a letter to JWT directors.

Mr Martin Sorrell, WPF's chief executive, says the UK company is prepared to raise its cash tender offer from \$45 a share to \$50.50 "conditional upon JWT's at JWT, affecting both clients and there has been much speculation about a fair the emergence of a "white extended period of uncertainty at JWT, affecting both clients On Wall Street, JWT shares 1097p.

the lines already proposed. The new offer would value The immediate response from

WPP, the British marketing willingness to execute a defini- and employees." It has asked had moved \$13 higher to \$52 by twices group which is making tive merger agreement" along for a response by the close of lunch time. business tomorrow.

the American group at \$515m JWT yesterday was that the yesterday offered to raise its made its initial approach last options at the board meeting terms in return for an immediate recommendation from the JWT board.

In a letter to JWT directors, Mr Martin Sorrell. WPP's chief executive, says the UK company is prepared to raise its cash tender of the proposal has the part of the proposal has (£315m) against \$460m under new proposals would be con-the existing offer. When WPP sidered along with all other made its initial approach last options at the board meeting

In his letter, Mr Sorrell also notes that "management has been reported to have been considering a management-led leveraged buyout transaction." "Under these circumstances,"

continues Mr Sorrell, "we are confident that the outside directors of your board, with independent advisers, will recognise the special responsi-bility placed on them in making a fair and thorough evaluation of our proposal."

WPP's shares eased 16p to

### Frank Gates shares show big jump By Nikki Tait

BID speculation helped shares in Frank G. Gates, the Wood-ford-based Ford dealer, to another hefty 75p rise at 280p yesterday—after adding 42p on

Friday. However, Mr Brian Gates, managing director, said the company was not in bid talks and "knew of no reason for the share price movement."
Gates received a 140p-a-share

motor distributor, Giltrap. at the turn of the year, but family holdings—which speak for some 60 per cent of the equity— decided not to accept, and the

Yesterday, Samuel Montagu, Giltrap's advisers, said the New Zealand company had neither sold nor received any offer for its Gates holding. By the end of the offer, this had risen to just over 20 per cent

### Ferranti again active in US

Ferranti, the defence electronics group, has made its second US acquisition within

four days.

Last Friday, it announced the acquisition of the advanced laser technology group from General Electric (USA). Yesterday, it announced agreement to purchase Allegheny International's 90 per cent plus stake in Sciaky, which manufactures welding systems based on resistance, fusion arc, electron beam and laser technologies. Sciaky, which is based in Chicago, employs about 200

# **Henderson Admin jumps 54%**

A 54 per cent advance in pre-tax profit to £25.4m is reported by the Henderson Administra-tion Group for the year ended March 31 1987. And shareholders see their dividend doubled.

The directors of this international investment management group said the encourag-ing results had been achieved against a background of strong world stock markets and considerable growth in funds under management—up 63 per cent to £7bn. But the current year, they added, might prove to be more one of consolidation. In 1986-87 the group in-creased its revenue from £26.8m to £46.3m and its operating profit from £13.3m to £21.7m.

Interest received and investment income rose to £5m (£4m), while interest payable came to £320,000 (£165,000).

After tax £9.75m (£6.9m) attributable profit worked through at £16.7m (£10.3m). Earnings were 80.44p (49.62p) before transfer to initial charges equalisation reserve, and 64.55p (48.08p) after such charges.

Adjusting for last year's scrip issue the dividend is in effect doubled to 25p net, the final being 19p.

The directors said the group had made worthwhile progress in broadening the client base internationally. Funds had grown, new clients added, and the international offices were expanding. International growth would continue, coupled with the maintenance

of commitment and service to the domestic client base. The group had not hesitated

which must also bear the expense of the move to a new

head office.
The group accepted those short term costs but there was a need to maintain a strong balance sheet-both to be able to invest for the future and as a partial protection against less robust market conditions. comment

Henderson's revenue increase was indeed impressive but second-half costs turned out to have been higher than expected and the pre-tax figure brought initial disappointment. Probably this was unjustified: much of the increased spending was exceptional investment in information systems, the move to Finsbury Avenue, and the setting up of new offices overseas, only the timing of which can have come as any surprise. These high levels of spending will continue in 1987, but Henderson is being cautious when it talks of a year of consolidation. Present levels of growth in funds under management

and accounting systems will be p/e multiple of 15½ at yester-completed during 1987, a period day's £15.50. Post-election prospects of higher disposable in-comes, further spurs to share ownership and a healthy UK stock market provide a favourable background for buoyant medium-term growth, but the undergone a sharp upward re rating and Henderson is looking fairly fully valued on its slight premium to the average.

# **BOARD MEETINGS**

BOARD MEETINGS
TODAY
Interiors: Cornoll Industries, J. A.
Devanish, Dundee and London Investment Trust, J. H. Fenner, Thomas
Franch, London and Clydeside, Watson
and Philip.
Finals: Alphamaric, BSS, Bradford
Property Trust, Cape Industries.
Centrovincial Estates, Dewson Internationel, EMAP, Fuller Smith and
Turner, Gilbert House Investments.
Gold Greenless Trott, House Property
Co. of London, Meyer International,
Northern Foods, Paul Michael Laisurewest, S, & U Stores.
Interions—

lead analysts to forecast a 20 per cent rise in pre-tax profits to around £82m for a prospective	it talks of a year of consolida- tion. Present levels of growth in funds under management Television: lead analysts to forecast a 20 per	i. and W.) June 18 and General Trust July 18 ministry June 18 couth July 18 June 38
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# Gee/Rosen suspended

Organisation's shares were suspended at 63p months. yesterday on the USM at the As a r ompany's request pending an announcement.

Last month this clothing re-tailer and wholesaler announced that it had called in the police to make commitments to its to probe the disappearance of own long term capabilities. A more than £100,000 of stock major upgrading of information which it said seemed to have

As a result, the company said,

chief executive, said the blocking of the re-financing proposal removed a signifimarch were unlikely to be larger than the first half's £159.000, compared with the cant obstacle to Apricot's bid going ahead. Apricot is planning to issue its offer previous years £403,000. The company's shares were placed on the USM in June 1984 document today.

Apricot is offering 13 of its shares for every 10 Wordplex with a cash alternative of 136p. Yesterday Apricot closed up 1p at 111p and Wordplex closed 4p higher at 138p.

Barciays de Zoete Webl Apricot's advisers, bought 175,000 Wordplex shares on

# Aitken Hume lifts profits to £7.2m as recovery continues

Aitken Hume International, range of unit-linked products in the financial services group, has October, Sentinel Life showed a group.

age, leaving the way for Apricot Computers to press home its bid for Wordplex. Advisers to the two com-panies met last night to con-sider whether Wordplex's hoard would be able to recommend Apricot's bid. subject last year of a failed bid from the Tranwood Group, Mr However, some executives in Wordplex believe that other hids may emerge for the company, though there are none on the table at Nick Oppenheim's shell com-

refinancing package was supported by less than 75 per cent of its shareholders, the figure which the company needed. The veting at the extraordinary meeting was 2.79m shares (65 per cent of the toward and 1.52m are cent in fewers and 1.52m.

Management bad been strengthened at National Securities and Research in the US. per cent) in favour and 1.52m said directors. Three new funds were being launched to give a better balance to NSR's busia £12.7m financing package involving a placing of shares, a rights issue and revised banking facilities. It had also agreed a new business strategy with Octagon Indusness spread.

In the UK, fund performance had been excellent. Since the year end, three funds had been

per share were 10.51p, compared with a loss of 11.42p last time.

continued its first half recovery 51 per cent increase in assets with a year-end turnround in its pre-tax figure from a £2.48m to £92m, and an increased loss to £7.18m profit after increased profitability across the to £2.06m.

vices company and Rawda Investments, a Saudi Arabian investment company investment company, each own said directors. But profits—up a stake of more than 24 per from £483,000 to £731,000—cent in Aitken, which was the reflected the underlying imsubject last year of a failed bid provement in the quality of the loan portfolio.

The group still owns pany.

In the year to March 31, US funds under management rose from \$2.5bn to \$3.5bn, with a profit of £5.5m (£3.74m), while UK funds under management rose from £120m to £165m with a profit of £728,000 (£49,000 as at March 31, 1986.

The extraordinary debit of £2.57m comprises £1.8m for property, a £225,000 credit for strategic investments, £887,000 bid defence costs, and £109,000 for leasing.

The group's net tangible assets at March 31 were £27m (£25.4m). Total group borrowings had been reduced from £27.4m to £17m, reflecting the sale of strategic investments The board recommended a final dividend of 2p, compared with a 2.25pj final last time.

There was no interim. Earnings

There was no interim. Earnings

Tax rose from £1.92m to £2.38m.

# **Hunting Group hits £7m**

most of its profits from related companies Hunting Petroleum Services and Hunting Associated industries, yesterday reported a £1.89m rise in 1986 profits to £6.95m pre-tax.

Respectively, the two related companies contributed £2.49m (£3.03m) and £3.41m (£2.19m). New England Properties, in which the Hunting Group disposed of 13.05m shares in March, returned profits of £31,000 compared with previous losses of £319,000 and Hunting Painting Contractor and Hunting

Painting Contractors reduced its losses from £193,000 to £57,000. Of the continuing activities shipbroking made £900,000 (£1.65m), property refurbishment £103,000 (£75,000) and financial services £318,000 (£64,000).

same-again 6p total. accounted for £1.91m (£2.84m) of which £1.79m related to termination of discontinued

Hanting Group, which derives survey activities at Hunting Associated Industries and reorganisation of a subsidiary.

> **UDO** consolidates with £1.6m buy UDO Holdings is buy Harpet and Tunstall for £1.62m, satis

fied by the issue of 711.818 shares at 205p and £161,000 cash. Shareholders' approval will be sought. Harper makes and distributes diazo machines and consumables and supplies drafting materials and equipment from its base in Wellingborough. In its last two financial years

it incurred losses of £796,000 and £2m principally because of severe competition. But it also suffered from production diffi-culties and deficiencies in its Earnings per 25p share costing systems. At March 31 amounted to 21.42p (13.21p). A final dividend of 4p makes a total borrowings £3.1m.

In April UDO became a major manufacturer of diazo-related products through the acquisition of Aarque Systems. The purchase of Harper provides an early opportunity to consolidate that position.

# Brown **Shipley** profits advance

By David Lascelles, Banking Editor

Brown Shipley, the small accepting house group which fought for its independence last year, increased its profits after tax and transfer to inner reserves by 27 per cent to £3.95m in the year ending on

March 31. But the cost of fending off unwelcome shareholders, plus some losses on premises transactions created £500,000 of exceptional items which reduced the final figures to

£3.45m.
The group's hig battle was The group's big battle was with Henry Anshacher merchant bank which built up a major stake. This was eventually acquired by Kredictbank Luxembourgeoise which now holds 29.3 per cent. In addition, dir Giorgio Rossi, the former chairman of SNIA VISCOSA, hold 15 per cent, putting nearly 45 per cent of the group in "friendly hands."

Lord Farnham, the chairman, said vesterday that any

man, said yesterday that any speculative interest in Brown

speculative interest in Brown Shipley stock was now "ill-founded." Brown Shipley's shares closed at 548p down 10p last night.

The major contributor to carnings was the banking group with £2.3m, up from £2.7m last year, with good reculet from last year, with good reculet from last year, with good reculet from last year, with good results from leasing, corporate finance, and the Channel Islands banking companies.

Medens Trust, the instalment credit subsidiary, was unsettled by the uncertainty surrounding the group and turned in lower results. The year also saw the estab-

lishment of Brown Shipley's stockbroking services with the acquisition for £12m of three firms, specialising in services to the individual client. These made "a major contribution to profits.

The insurance group earned £1.2m, up from £864,000. The group is being restructured into divisions focussing on individual and corporate services. Earnings from South Africa were affected by currency factors.

During the year, Krediet

bank made a \$15m loan which enabled the banking group to increase its lending. But Lord Farnham said that the full benefits of the association had yet to come through.

CONNELLS (Estate Agents) is acquiring Chilvers, a firm of commercial property surveyors based in Reading. The initial consideration is £1.25m. to be satisfied by £500,000 in cash and the allotment, credited as fully paid, of of £750,000. A further tranche of 73,964 ordinary will be allotted to the value of £250,000 following the audit

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April 1987

# Freshbake up to £6.6m helped by acquisitions

BY ALICE RAWSTHORN

fast growing frozen food concern, yesterday announced pretax profits of £6.6m for its last reported profits of £2.5m for the previous year, or a pre-tax quisitions of Wold and Slaters are included.

The group has expanded rapidly with a flurry of acquisitions since it joined the USM in 1983. When it went public Freshbake specialised in meat pies, it has since created a hoardly based frozen food busihoardly based frozen food business and graduated to a full listing in January.

Group turnover increased to £169.5m (£149.6m restated) in the year to April 4, although both the Freshbake and Slaters businesses sported faster

crowth of 20 per cent during the year. Operating profits almost doubled to £10m (£5.5m). Within the manufacturing division the integration of Slaters—which was acquired for 114m in July—has been com-pleted. The only problematic area was Uncle Wong, which suffered intense competition within the prepared foods market but has since returned to profit. The rest of the division benefited from improved presenting efficiency. operating efficiency.

The group intends to develop its own "Freshbake Foods" brand name by bringing all hrands within the division into ts ambit. This process should be completed in the next 18

Frehbake is now integrating Wold — acquired as a loss-making concern in December for £8m-within the vegetable division. Last month it entered into a joint venture with Frigoscandia, whereby the two groups will process Wold's vegetables through FrigoFresh.

The distribution division made a small loss last year but should move into a modest profit in the present year. Earnings per share rose to

8.8p compared with the 6.1p reported last year and the restated loss of 4.5p. The board proposes a final dividend of 1.6p making 2.3p (1.9p). Since the year end Freshbake has acquired the rump of Wold's interest in Premier

Vegetables. It intends to pur

Freshbake Foods Group, the sue further "niche" acquisitions comment

Freshbake has barely paused financial year. This compares to for breath since it went public reported profits of \$2.5m for three and a half years ago. Its strategy of buying unprofitable food companies and steering loss of £1.04m if the recent ac- them back into the black sounds fine in theory; but in practice has been far from flawless. In 1984 it floundered in its attempts to get to grips with Baughans. But Freshbake weathered the storm and the long term objective of creating a broadly based food group with a few large scale production plants suddenly seems feasible. plants suddenly seems feasible. Much of the growth within these results is gleaned from effecting economies of scale within the established businesses. The benefits of reorganising Slaters should filter through this year and Wold thereafter. Thus the shares, which rose by 4p to 176p yesterday, are fairly valued, on forecast profits of \$10.2m and a prospective p/e of

£10.2m and a prospective p/e of

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(Pre-tax profits

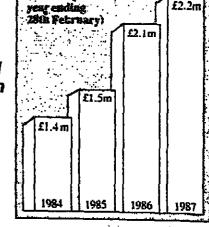
# "CONSIDERABLE PROGRESS"

Member of FIMBRA

Earnings up 30% ... profits up 5% ... dividend up 121/2%

"1987 has been a year of considerable progress. The two main divisions - investment casting and electrical -have shown excellent growth and further advances are anticipated in the current year. Activity within most group companies is increasing and we are confident that further organic growth will take place. Additionally, we actively continue to pursue acquisitions."

David J. Mead, Chairman



THE DERITEND STAMPING PLC

St. Richard's House, Victoria Square, Droitwich, Worcestershire WR9 80S

EVICEN:

# **UK COMPANY NEWS**

# Reed to net £250m from DIY sale to Williams

Reed International, the publishing, packaging and paper conglomerate yesterday confirmed that it was selling its paint and do-it-yourself division to Williams Holdings, the fast-growing industrial conglomerate

The purchase price is £285m cash, but the businesses will bring with them £25m in cash and the net proceeds (after expenses) for Reed will be some £250m. In the year to end March, they made operating profits of £22.5m on sales of £308m. Adjusted net assets including the arch was £1308m. including the cash were £110.2m. The deal, which is conditional on approval from both companies' shareholders, is Williams' largest acquisition to date and almost doubles the cate and almost doubles the size of the group. It will be funded by the issue of 36.3m shares — representing 42 per cent of the enlarged issued capital. These shares have been placed with institutions at 785p, but there is a clawback for but there is a clawback for existing shareholders at the same price.

Williams shares were sug-

pended at 835p yesterday, and are likely to be restored on Wednesday morning. Reed ained 20p to 485p on news of gaineu a. the deal.

The Williams deal was announced three days before the final closing date when bids for the division, put up for sale by Reed last month, had to be in. However, Williams not only offered the highest price, but was also willing to complete the transaction swiftly.

the future interests of both employees and management. Williams, though involved in DIY through the likes of Rawlplug and Swish curtain tracks,
has no directly similar interests ficant enhancement thereafter.

Apart from acheiving its obdisposals or rationalisation.

Management of the division best-known for its Grown paints and Polycell do-it-yourself products—itself put together a management buyout scheme but was unable to go beyond £220m. Even then, it considered bringing in an industrial partner, but would still have been some £20m short of the Williams terms. "There has to be a price at which you walk away." com-mented Charterhouse Develop-ment Capital, which advised on the buyout. "Anything else would be irresponsible."

Yesterday Reed's chief ex-ecutive, Mr Peter Davis, said that he believed management would now go to Williams, with the exception of Mr Peter Burns, the Reed director who led the buyout. "Obiously we are disappointed," commented Paul Lever, managing director of Crown Paints, "but there

chaser who would keep the comes a point when you can-business together and to protect not go on leveraging up a

Williams, on the other hand, argues that there should be no jectives of more US exposureone-quarter of group profits will now come from there-and more consumer product bias, the acquisition could help the push of Williams existing products into Europe and the States through the Reed interests' distribution network.

"It's the best deal we've ever done," said an ebulliant Brian McGowan, managing director vesterday.

director, yesterday.

Reed, meanwhile, reported net debt of £188m at its March year-end and so will now have a sizeable cash surplus. The company says it will continue to make small "infill" acquisitions and will continue to look at larger deals in both the US

When it put the division up for sale, Reed said this was part of its policy of concentrating on the development of its publishing, paper and packag-ing interests.

### COMPANY NEWS IN BRIEF

RENMARE OIL Exploration their existing investment into has acquired Irish Marine Oil shares which had a dealing and changed its name to Kenfacility in both London and mare Resources. The basis of Dublin. For Kenmare holders the offer was two new Kenmare the merger gave the company

was also willing to complete
the transaction swiftly.

Moreover, Reed stressed yesterday that it wanted a pur-

# SHARE STAKES

Changes in company share stakes announced over the past week include: Grand Central Investments-Mr Ishwar Nahapan, chairman, sold 2m shares, reducing his holding to 10.57m or 39.2 per

and A. E. Woolf disposed of notifiable level.

50.000 each. Newarthill — Director McAlpine sold 26,000 ordinary.

Regalian Properties—Director
J. L. Goldstone disposed of

50,000 shares.
John Haggas Mr Richard cent. Mr Nahapan has undertaken not to reduce his beneficial holding further hefore June 30 1988.

Edinburgh Financial Trust—
Caparo Investments acquired 125,000 ordinary and now owns 2,568,000 (9.2 per cent).

John Haggas—Mr Richard Haggas, brother of chairman is now interested in 1,818,926 (9.1 per cent).

North Sea and General Oil Investments — Highland and 125,000 ordinary and now owns 15,68,000 (9.2 per cent). 2,568,000 (9.2 per cent). sold 1.450m ordinary and as a result its interest is below the

# DIVIDENDS ANNOUNCED

Aitken Home	.2	· <u></u>	NII	2	2.25
Hunting Group	4		4	6	6
Erskine House	2.8	Aug 6	2.3	†4	3.2
Property Partnerships	5	Aug 3	3.5	8	6
Blickint.	1.6	Sept 9	_	_	2
Harmony Leisuret	**0.1	Aug 5		0.1	
Bardon Hill	\$2,85	July 24	2.35	3.9	<b>3.25</b>
Dominion Intl	3	Aug 7		5.5	5.5
Henderson Admin	19	July 28		25	+12.5
Sterling Publishing	2.2		2	2.2	2
Fairbriar	3.3	Aug 10	2,25	4,8	3
City Siteint.	0.56		0.47	_	0.96
Alexon Group	4	_	2	6	3.25
Chamberlain Phipps	3,55	Aug 24	2.95	4.75	4.05
Brown Shipley	6.25		6	10	9.5
Freshbake Foods;	11.6		1.3	2.3	1.9
Dividends shown nend	ים מו	share net	excent	wiere	atherwis

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoied stock. §Unquoied stock. §Third market. || Scrip option to dividend. \*\*15 months to March 31 1987.

Bristol Channel Shipping James Ferguson Securities disposed of 1,375,090 ordinary, reducing its holding from 8.04m areas of activity.

(8.35 per cent) shares.

Bardsey — Director Michael Pearson acquired 300,000 ordinary (1.31 per cent) on exercise of warrants to subscribe for ordinary and now holds 5,975,000 (26.17 per cent).

Attwoods—Hawley has pur-chased through a wholly-owned chased through a wholly-owned subsidiary 375,000 ordinary and now has an interest in 13,919,000 shares (27.6%). Barry Wehmiller — Kuwait investment office has a vested interest in 3,250,000 ordinary. Windsor Securities Holdings

—John Carr, chairman, sold 250,000 ordinary (approxi-mately 2.56 per cent) and now holds 523,530 (5.86 per cent). A. Goldberg and Son— Charterhall became interested in 885,000 ordinary (5.18 per

Acatos and Hutcheson—Director J. Weir disposed of 20,000 ordinary and now holds 432,944. Tyzack Turner-Director D. M. Saunders sold 150,000 shares.
Raine Industries—E. Stanger
disposed of 2m shares and no longer has a notifiable interest.

Bejam-Director L. Don sold 25,000 ordinary. Shandwick—Under executive share option scheme, director A. L. Stoddard acquired 60,606 ordinary.



# HENDERSON Administration Group plc

# Results for the year to 31st March 1987

	1701	1700	
Profit before tax in £000	26,444	17,165	Up 54%
Earnings per ordinary share in pence*	80.44	49.62	Up 62%
Dividends per ordinary share in pence	25.00	12.50	Up 100%
Net assets in £000	37,546	25,858	Up 45%
Funds under management in Emillion	7,027	4,308	Up 63%

\*Earnings per ordinary share are shown before transfer to initial charges equalisation res

"Our aim is to be in the forefront of those investment management groups which can demonstrate an ability to serve the international marketplace."

IR Henderson, Chairman

Copies of the Annual Report may be obtained from the Company Secretary, Henderson Administration Group plc, 26 Finsbury Square, London EC2A 1DA. The above figures are extracted from the accounts of the Group on which the auditors have given an unqualified

a. The accounts will be filed with the Registrar of Compani

HENDERSON. THE INVESTMENT MANAGERS

# into building maintenance

diversifies

**GKN** 

GKN, the automotive com-ponents and engineering group, yesterday announced its diversification into the building main-tenance field with the acquisition of General Plumbing and Roofing Services, a privatelyowned company, for £6.75m.

GPRS, based in the Greater GPRS, based in the Greater London area, is involved with plumbing, roofing and maintenance. Once the acquisition is completed GKN intends to use the company as the base from which to build a national network of maintenance services specialising in emergency call-out. emergency call-out.

Mr John Jessop, GKN's man-aging director of industrial services, said that the group perceives building maintenance as an area of high growth.

It intends to accelerate GPRS's expansion into new areas of activity, such as electrical repair and decorating services, and to develop a national network of building maintenance businesses through combination of acquisitions and start-ups.

Since its formation in 1975, GPRS has built up a business with a turnover of £6m last year. GKN has funded the acquisition by the issue of 504,278 shares and two tranches of loan notes.

present management team will continue to run GPRS after the completion of the deal. Mr Jessop said it would function as an autonomous business in the industrial services

vices through acquisition. According to Mr Jessop it will augment existing interests and will diversify into other new

# F. H. Tomkins increases stake in Ransomes Sims

Ransomes shares, bringing its

holding to 5.85 per cent.

Mr Jim Sanger, a Tomkins director, said that Tomkins, which recently bought Smith and Wesson, the US gun manufacturer, had no intention of following through with an immediate bid for Ransomes, but would not rule out the possibility of an eventual takeover

Tomkins has held a previously

the lawnmower and machinery said the most recent block of maker, Ransomes Sims & shares were bought because Jeffries, with the disclosure they were offered at an attracthat it had purchased 250,000 tive price, which he would not shares were bought because they were offered at an attractive price, which he would not investment," said Mr Sanger. disclose. It's a long term "If they (more shares) come up, and they are at a reasonable price, we might buy some more."

Ransomes shares jumped 26p to close at 307p yesterday, bringing its market capitalisation to £85.1m. In 1986 Ran-somes pre-tax profits rose 13.8

### F. H. Tomkins, the acquisitive undisclosed stake in Ransomes about £341m, including shares industrial holding group, yester-just under the 5 per cent mark issued in connection with the day threw down a marker on for several years. Mr Sanger Smith and Wesson purchase which are expected to begin trading on Thursday. Tomkins said yesterday that about 80 per cent of the new shares had been subscribed by existing share-

City analysts yesterday said Ransomes would be a logical fit for Tomkins, whose subsidiary Hayters is also in the lawn mower business. A bid for the company could follow if investor excitement over the Tomkins stake does not push prices too high, they said. Ransomes could not be

Tomkins is capitalised at reached yesterday for comment.

# **BICC** buys Derby builder

BICC, the construction and electric cables conglomerate, has moved further into the residential house construction business, announcing yesterday the purchase of the Derby-based builder. David M Adams Developments, for £9.45m cash.

The acquired company will operate as Balfour Beatty Residential Estates and will be managed by Balfour Beatty November 29 1986.
Homes, the UK residential The results, which included development arm of Balfour those of Canning Town Glass as Beatty, which is part of BICC.

business is seen to have excel-lent prospects for growth and diversification, although is cur-rently a relatively small part of Balfour Beatty's anual turn-over of £988m last year.

the Derby area and in Surrey, and will significantly increase the housing land bank in Balfour Beatty Homes.

Mr R. C. Rankin, Balfour

# Utd. Glass

United Glass Holdings, jointly owned by Distillers and Owens-Illinois of the US, increased paetax profits from £11.35m to £12.19m for the year ended November 29 1986. The results, which included

The domestic home-building after a £4.49m (£1.02m) provision for the cost of the con-tinuing rationalisation of

facilities. Since the end of the financial year, the company has sold its interests in the plastic con-tainers, closures and glass tableware businesses. Proceeds GKN is now eager to expand further within industrial ser-holdings of residential land in of the related tangible assets and this difference has been charged as an extraordinary item of £7.9m

An estimated £3.5m surplus has, however, not been taken

# Charter sells MMC stake

Charter Consolidated, the mining, manufacturing and investment group, yesterday raised £38m from the disposal of its 13.8 per cent stake in Malaysia Mining Corporation.

Mr Richard Wakeling, Charter finance director, said the sale had been mooted for some considerable time as part of the group's policy of dispar ing of its passive investments. Yesterday, the timing had appeared right because of the high price of MMC shares, which are listed on the Lordon

and various Far Eastern stock exchanges. Charter's stake was placed with institutional investors by Hoare Govett and J. Henry

Shroder Wagg.

MMC is controlled by the Malaysian government. In addition to its tin mining operations, it owns 15 per cent of fund managers Sime Darby and an indirect interest in the Argyli diamond mine of Australia. Charter had two non-executive directors on its board, who will now resign.

# Irish placing cancelled by **Atlantic** Resources

By Hugh Carnegy in Dublin

Atlantic Resources, the Dublin-based oil explorer, esterday abruptly withdrew at If 4.35m share placing announced only last Friday. The move was the latest of a long series of disappointments for the Irish oil business.

Because of the obligations of secrecy to its partners in its Celtic Sea exploration interests, Atlantic said it could not give details of why at had cancelled the placing. But the company said British Petroleum, the operator on the latest well to be drilled in the Celtic basin in which Atlantic has a 20 per cent share, was due to make a statement this week.

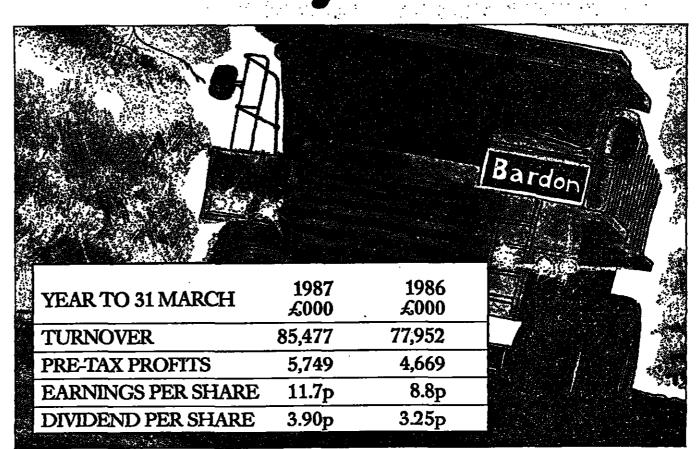
The clear implication is that the well, in licence block 50/6, has failed to prove the existence of recoverable crude reserves despite a promising find in the block last year.

BP was not expected to report on the latest well, in which Aran Energy and Hydro-Carbons of Ireland also have 20 per cent interests, so early. Atlantic appears to have been caught by surprise by the arrival of news over the weekend but decided to move quickly before any trading had taken place in the new shares.

Friday's issue of 15m new shares with British and Irish institutions at 29 Irish pence was two pence below Friday's closing price.

Yesterday, the Atlantic price fell to 23 Irish pence. It had been as high as 56 Irish pence earlier this year before disappointing news from another well operated by BP in licence block 49/9 last month.

# Natural resources are the key to Bardon.



Bardon's commitment to innovation and quality has made it market leader in the supply of high quality aggregate and aggregatebased products.

This ability to manage basic industries with flair and foresight has resulted in earnings per share being up by 33%.

Today Bardon possesses near unique resources. It owns quality reserves of hardstone, vital for the construction of motorways and runways.

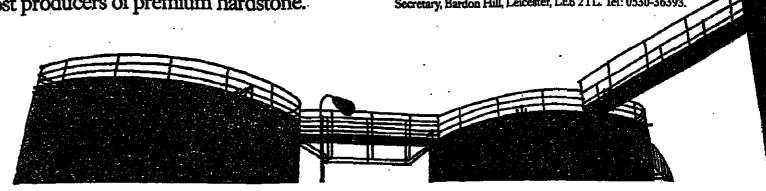
By a substantial capital investment programme, £30 million over the last 5 years, the Group is already one of the most efficient low cost producers of premium hardstone.

Quarrying is only part of the story -Bardon has an expanding services division, contributing 18% of group profit, concentrating on fuel distribution, hire and financial services.

Bardon will continue to expand both organically and by strategic acquisitions. 1988 promises to be another exciting year.



The 1987 Annual Report will be posted to shareholders on 16 June and if you would like a copy, please contact K J Cure, Compan. Secretary, Bardon Hill, Leicester, LE6 2TL. Tel: 0530-36393.



# Dominion Intl hit by oil downturn

announced a decline from property interests by a factor fill.04m to £8.56m in pre-tax of at least three.

Turnover last year was up

of the group was of necessity a relatively slow process. Every-thing that transpired in 1986 underlined the validity of the strategy. It was the speed of the downturn in the oil sector that led to the setback in profits

The dramatic decline in oil and gas prices, the directors continued, would have wreaked far worse damage had the com-

emphasis to financial services the directors said, the returns and away from property and from Transnational could out-natural resources, yesterday strip those of the former

Turnover last year was up from £58.13m to £67.18m. Tax The directors said that charged was £1.79m (£1.55m) and minorities were £380,000 (£1.49m). The warning in the and minorities were £380,000 restructuring with the injection (£1.49m). The warning in the of new capital and it was hoped interim statement of a substantal that this would lead to some tial provision against Southwest Resources' (59 per cent owned by Dominion) investment in William Hunt against the £9.9m

With pre-tax book cost of the investment turned out to be a debit of £8.72m (£2.12m debit) so there

(£10.33m) and its pre-tax profit by 74.5 per cent to £923,000 (£3.63m). It wrote off £5.05m in William Hunt, which is listed in Hong Kong and in which it now holds a 2 per cent interest.

Last month Hunt completed its future recovery.

With pre-tax profits down by

Dominion International Group, the 1986/1987 profits. Prospects tained at 5.5p with a final of might not be as bad as the which is undergoing a period of for Transnational are said to be 3p (same).

Italy, but the cost of rejigging exceptionally good. Potentially, Southwest Resources to the cost of rejigging transition as its switches its over fell 37 per cent to £6.5m sources sector will continue to depress earnings. The best to be said is that the company's difficulties are under control, with doubtful assets safely written down. Gearing of the group rose from 50 per cent to 77 per cent, while net assets fell from £47m to £36m. This is not because Dominion has climbed on to a more precarious limb, but because it has disposed of property and part greater em-phasis on financial services. Ope where higher gearing is com-per co

22 per cent, shareholders of mon. Credit lines are still wide this once fast-growing resources, financial services and group this year is likely to be A breakdown of profit by division showed that natural resources tumbled from £3.63m to £2.23m (£5.9m profit).

Basic earnings per share to £2.25m but financial services amounted to £1.25p (£6.3p) fully from £2.55m to £7.75m. Central overheads amounted to £1.49m (£5.11m).

The desmatic decline in a financial services and a attributable loss of property group had only one property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7, on analysts' pre-tax profits forestime property group had only one thing to cheer about yesterday sales. With a prospective p/e languishing around 7.

# **Property Partnerships advances 29%**

far worse damage had the company not already steered the emphasis of its activities to the financial services sector. At the end of the financial year the acknowledged growth of financial services represented some 70 per cent of the group's profit.

Highlight of the year was the acquisition of the US computer leasing company, Transnational, from which there has only been a partial contribution in the state of the company and the final dividend is 5p for a state of the contribution in the state of the share premium account of £265,711 and £1,065,479, being part of the investment properties climbed from properties climbed for turnover reached £3.81m to consolidate medium-term state of the share premium account of £265,711 and £1,065,479, being part of the investment properties climbed from section of £1.02m, while turnover reached £3.81m to consolidate medium-term state of the share premium account of £265,711 and £1,065,479, being part of the investment properties climbed from section of £1.02m, while the final dividend is 5p for a state of the share premium account of £265,711 and £1,065,479, being part of the investment properties climbed from section of £1.02m, while the final dividend is 5p for a state of the share premium account of £265,711 and £1,065,479, being part of the investment properties climbed from section of £1.02m, while the final dividend is 5p for a state of the share premium account of £265,711 and £1,065,479, being part of the unrealised revaluation reserve.

Example of the contribution of the contribution of the contribution of £1.5m, which has been of its hotels.

with National Westminster Bank. Tax charge was £442,000 (£342,000) and there was an extraordinary charge of £24,000 (£77,000 credit).

The company said it would continue to expand and improve the quality of its property investment portfolio and consolidate the strong trading position of its hotels.

# to £1.8m and signals more growth

Blick, retailer and lessor of time recording and communica-tions equipment, reported a 31 per cent increase from £1.38m to £1.82m in pre-tax profits in the half year to end March last against an improvement of just 6.3 per cent to £7.45m in turn-

Operating profits showed a 15 per cent gain to £1.73m (£1.5m) last year and Mr Alan Elliot, the chairman, said that this reflected both the continued advance in long term rental business and the growth in equipment sales to end users. Time recording equipment sales were progressing well with higher value electronic and computerised time sales well in excess of last year. Commenting on prospects, Mr Elliot said current trading was encouraging, and he tooked for-ward to a successful second

Interest receivable in the half year amounted to £133,000 (£94,000 payable); exceptional items totalled £49,000 (£29,000) and tax was £570,000 (£413,000), leaving net profits of £1.25m (£965,000), leaving net profits of £1.25m (£965,000) for earnings per share of 6.23p (5.19p).

The interim dividend is 1.6p against the intimated 1.4p when the shares were floated a year

# Blickup31% | All-round growth for Erskine House

IN A YEAR when it more than ation months before the target doubled the size of its office equipment business in the UK, the Erksine House Group (acquired in September) is the achieved a pre-tax profit of largest distributor of Sharp

That was a 70 per cent advance of the £2.78m reported for the year ended March 31, 1986, and a 57 per cent increase on the £3m as restated for

Earnings were 14.6p (restated 9.5p) and the dividend is raised to 4p (3.2p), with a final of 2.8p. Mr Brian McGillivray, the chairman, said the company had established itself as the largest independent distributor of copiers in the UK and, since September, had made two acquisitions in the US. With the success of the office

equipment sales and servicing division, it was decided to concentrate on expanding that area in the UK and US, "where there are exciting prospects for growth both organically and by acquisition," the chairman told shareholders.
Erskine Communications, the

UK network of Konica U-Bix Once a rat-catcher, Erskine's companies, performed well in more fitting classification within pursuing its target of organic growth and was augmented by

growin and was augmented by acquisitions.

During the year Erskine acquired Barratt, the only national dealer in the UK of Canon copiers and facsimile products. The business had been turned into profitability more quickly than expected and achieved a break-even situ-

(acquired in September) is the largest distributor of Sharp copiers and also sells, leases and services facsimile equip-ment and accessories. Mr McGillivray reported that trading since acquisition had been steady and prospects for growth were good.

The acquisition (in April) of Mirex Corporation of Texas, which leases and services high volume Ricoh copiers to major accounts, was another important step in developing the US market, the chairman claimed.

Turnover in 1986-87 came to £71m, against £34m and restated £55.8m. After tax and restated £55.8m. varier tax and minority the attributable profit was £3.66m (£1.74m and £1.88m). There was an extraordinary profit of £999,000 being the net surplus on the sale of Erskine Bureaux and Sovereign Cleaners.

### comment

more fitting classification within the stock market bestiary should be that of phoenix. In the four years since Mr McGillivray arrived from Rentokil, the company has been transformed by no fewer than 25 acquisitions. These leave Erskine the largest independent distributor of photocopiers in the UK, and an increasingly significant player in the US after buying Zeno and Mirix. Yesterday's figures reflect the benefits to be derived from cost-cutting and implementing financial controls within the acquired companies—and also the underlying health of the market, as manufactured companies and also the underlying health of the market, as manufactured controls. facturers increasingly devolve responsibility for service and sales to the independents. But growth by acquisition in the US will be made more expensive this year by bidding from competitors like American Business Machines and Alco Standard, and afflicted by currency considerations. Up 3p t o278p, the shares are on a prospective multiple of 15 if the company makes 27.7m this year. Still good value in the medium term,

**Fairbriar** gathers pace for 38% rise

WITH THE second half showing an acceleration, Fairbrian achieved a profit growth of 38 per cent in the year ended March 31 1987.

This Surrey-based property developer and housebuilder lifted its pre-tax profit from £3.32m to £4.59m, on turnover 26 per cent ahead, from £9.15m to £11.49m.

The directors reported that the housing market continued to be buoyant in the company's area of operations, and that the current year had started well. with a record number of with a record number of levelopments under construction or about to start, they inticipated maintaining the company's position of having afficient resources for the foresceable future.

They anticipated being able report continued growth. The recent acquisition of Ryan of

o report continued grown. The ecent acquisition of Ryan of Wimborne should make a significant contribution to profits and also help the company to achieve its expansion policy in the south.

After tax £1.61m (£1.33m)

earnings worked through at 16.86p (11.61p). The final divilend is 3.3p for a net total of 1.8p, compared with 3p.

### comment

Fairbriar can be distinguished from other housebuilders in at least two ways. One is that it buys land first and decides what it can most profitably build on it afterwards: the other is that this policy combined with its relatively small size enables it to seek out sites which it can acquire through private treaty rather than competitive tender.
The result is a whopping margin, up still higher this time from 36 per cent to 40 per cent pre-tax. That could come down a little this year as Ryan's lower-margin business is integrated but with most of the grated, but with most of the Richmond development now coming through, the group should have little difficulty in passing the 16m mark. Fairbriar's share price has roughly doubled as far this year but at doubled so far this year, but at yesterday's 265p, the prospective p/e ratio of 13 is still yieldbut it is unlikely that the shares ing around six points to that will maintain the pace of the other high-growth favourite, past six months, when they have outperformed the market by a of £500,000 a year in interest half. And with gearing at 90 per costs would add another point cent, there wil be fears of a to the multiple but would still right issue until the non-core leave it at a slightly perplexing ses have been sold. discount to the sector

# Taylor Woodrow order book worth around £1bn

and chief executive of Taylor acquired in the UK, the Soviet ing that the group's total order book was surrently standing at Navy work in the Aleutian

He pointed out that the figure included the value of directlycontracted work and also management contracts on which the group was responsible for the supervision of the overall works

had made a good start in most

SIR FRANK GIBB, chairman Useful contracts had been the Dominican Republic and US

in ook

Sir Frank said as a general indication overall, the results for the year so far were around the same level for those of the same period a year ago.

but did not include the potential share of work on the Channel Tunnel

The company has recently arranged two new financings—
a £100m multiple option facility The company has recently Although it was rather early and a £50m sterling commercial to make predictions for the full paper programme — both of year Sir Frank said the group which give the company greater flexibility in providing for its needs.

# Bardon Hill rises to £5.8m

day reported that profits had first full year of operation of risen for the tenth consecutive the new primary crusher in year, reaching £5.75m pre-tax for 1986-87. That was an improvement of cent.

the final being 2.85p.

MR PETER TOM, chairman of ing activities remained the the Bardon Hill Group, yester-cornerstone of the group. The

That was an improvement of 23 per cent over the previous years £4.67m and was attained on the back of a £7.53m improvement in turnover to £85.48m.

Earnings advanced from 8.8p

Cent.

Gross profits for the year to Gr to 11.7p and shareholders bene-fit via a 20 per cent lift in their dividend to 3.9p, traded on the market made by he final being 2.85p. Granville and Co. The group is Mr Tom said that the quarry-capitalised at some £80m.

# **Great Portland** in £9.4m deal

Great Portland Estates yesterday completed the purchase of 38 Finsbury Square, London and 33/35 Wilson Street, City, for a total consideration of 19.4m. The consideration has been satisfied by the Issue to the vendors of 3m ordinary sares of 50p each in Great Portland, and the payment of 1925,000 cash.

Baring Brothers, in conjunctive

Baring Brothers, in conjunction with Cazenove, has placed the new shares on behalf of the vendors with institutional and other investors at 285p per

The placing of the new shares is conditional on their admission to the Official List. Application has been made to the Council of the Stock Exchange for the new shares to be admitted, and it is expected that dealings will commence next Monday.

The new shares represent approximately 2 per cent of Great Portland's present issued share capital.

EVODE GROUP has purchased polycthylene film, for £1.32m at the suspension price. It paid in cash on completion and £250,000 cash payable in one year.

| Market capitalisation of 120.11 at the suspension price. It made taxable profits of just £2,000 in the half-year to October 31 1986.

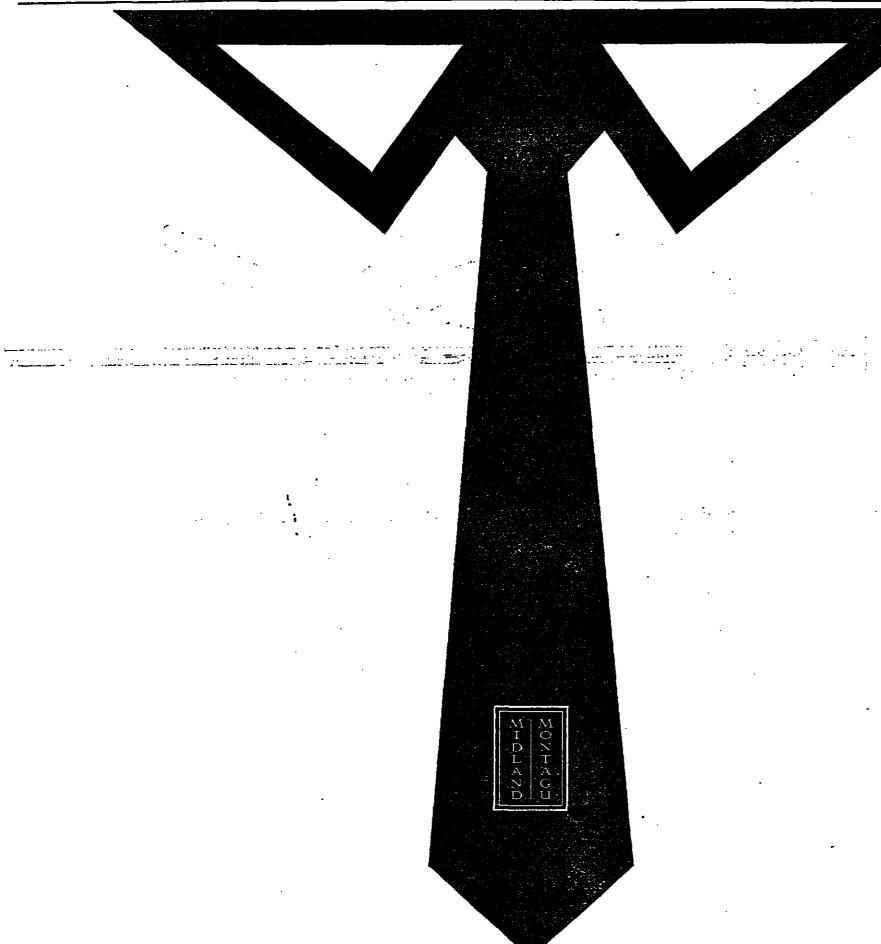
# Alfred Walker negotiating two acquisitions

By David Waller Shares in Alfred Walker, the small property company run by Mr George Martin, the former chief executive of Pleasurama, were suspended yesterday morning pending the announcement of two acquisitions.

In early trading the shares rose 68p to the suspension price of 360p, following speculation that Mr Martin was about to take his first major steps towards his stated ambition of building a £100m conglomerate.
Mr Martin said yesterday
that negotiations were under-

way for two separate acquisitions in the property and leisure sector. "Very significant relative to the company's present size," the transactions are to be financed by a vendor

Mr Martin joined Walker in April this year when the share price was 185p. Two acquisitions and a two-for-three rights EVODE GROUP has purchased issue later, the company has a sempolychyloro film for a market capitalisation of £23.1m



# ONE OF OUR BEST TIES

Midland Montagu Ventures, in conjunction with Samuel Montagu, invested £1.5 million in early 1986 to help Tie Rack accelerate its growth at home and overseas.

Montagu Ventures

47 CANNON STREET, LONDON EC4M 5SQ. TELEPHONE 01-638 8861

# **UK COMPANY NEWS**

# Alexon shares jump after profits double to £6.9m

ers

The group's growth was continued by improved perform-graves from both the Alexon Mr retail and wholesaling activities and from Claremont Garments which manufactures women's outerwear for Marks and

Mr Edgar Tarr, Alexon's chairman, said that the company is committed to securing further growth both by "organic and acquisitive means."
In the year to March 28, Alexon's turnover rose to £58.2m

(£51.9m) and operating profits to £7.4m (£4.4m). Interest fell to £464,000 (£899,000), but taxation rose to £2.4m (£266,000). Nonetheless earnings per share increased to 22.9p (16.3p) and the board proposes to pay a final dividend of 4p, making 6p (3.25p) for the full year.

£9m acquisition

City Site

Estates in

Alexon, the fashion manufacturing and retailing group, yesterday saw its share price rise by 20p to 368p when it announced that pre-tax profits had doubled to £6.9m in its last financial year.

The Alexon retail operation, accepted that Alexon has hauled itself out of the doldrums of the mid-1980s, but the extent of vesterday's profits improvement at shops in the UK and overseas, the group's growth was fuelled by improved perform-

Mr Tarr said that Claremont saw continued growth in sales and profit margins thanks to the investment in production efficiency and new technology made in the early 1980s. It has diversified into new product areas for Marks and Spencer such as maternity wear.

Hornsea, which the group acquired three years ago, was nursed back to profit during the year but sold to Peter Black Holdings for £3.5m in May. The disposal has eradicated group borrowings and Alexon is now scouting about for acquisitions within related areas of fashion manufacturing and retailing.

The City has long since

business has lots of scope for margin improvement by securing economies of scale through the expansion of its retail base. Claremont has operated so efficiently for so long, that the group has opted to maintain margins this year in return for volume gains. These established businesses should yield profits of £8.5m this year: putting the shares, which have trebled in value since the traumas two years ago, on an undemanding prospective p/e of 13. And Alexon could add a frisson with acquisitions. Although after the tussles with Hornsea, it is

unlikely to stray outside the

fashion industry.

# Chamberlain Phipps ahead

Together with a substantial advance in pre-tax profits for the six months to March 31 1987, City Site Estates announced another acquisition. It has reached agreement to purchase Queensbridge Estates

Consideration for the acquisition will be the allotment of 5,514,286 new City Site ordinary to the vendors which have been conditionally placed at 175p each with a number of institutional investors to produce a net cash sum of £9.25m.

Reflecting the company's policy of expansion through acquisition, profits leapt from \$84,519 to £341,965 pre-tax in the first six months with rental income up from £378,561 to £804,942. Tax charged was £63,398 (£22,094) leaving available profits of £253,572 (£37,425) for basic earnings per

(£37,425) for basic earnings per share of 2.83p (0.5p).

The interim dividend is increased from 0.47p to 0.56p.
Following the acquisition of Queensbridge, the value of the company's property portfolio will be in excess of £56m. It is estimated that the company's annualised rental income will increase to approximately £3.7m.

### Harmony profits pass £0.26m mark

...

ti Halki

Time In

15000

Harmony Leisure Group, for-merly Thomal Investments, reported pre-tax profits of £260,498 in the 15 months to March 31 1987, compared with 512,234 in the previous 12 months. These are the first figures since the group joined the USM last year and the dividend is 0.1p net, as forecast in the prespective. in the prospectus.

The group operates public houses with restaurant facilities in London and the Home

in London and the Home Counties.
Since the year-end, it has purchased its first freehold property—the Hawley Arms at Camden Lock. It has also acquired a 10-year lease on Reform Tavern and has refurbished an existing house, the Berrylands, at Surbiton.

The trading trend in current outlets continues to improve.

outlets continues to improve, say the directors, and with expected additional contributions from recent refurbish-ments and acquisitions, the company believes the prospects further growth are

Group turnover in the 15-month period was £5.05m (nil). There was a tax charge of £90,150 (£3,654). In 1985, the company had extra-ordinary debits of £5,750. Stated earnings per share improved from 0.07p to 1.31p.

TURNOVER

PROFIT before tax

**EARNINGS** per share

**DIVIDENDS** per share

foundation for further growth.

Extract from Chairman's statement:

# of forecast with £5.93m

Chamberlain Phipps, the adhesives and shoe components group which recently resisted a takeover attempt by Wardle Storeys, yesterday announced profits above the £5.7m forecast at the time of the bid.

However the costs of retain

which was taken below the line. which was taken below the line. Pre-tax profits in the year ended March 31 were 15.4 per cent higher at £5.93m (£5.14m) on turnover up 9.2 per cent at £106.1m (£97.2m). Chamberlain has already forecast that this year's profits will increase to £7.25m—2 prediction widely E7.25m—a prediction widely believed to be the main reason that the group fought off Wardle's challenge.

The old general industries division, now renamed Cham-tek, increased operating profits from £2.49m to £2.95m—the division manufactures industrial adhesives and is a major sup- Ward plier of vinyl coated papers to 157p.

Profits in the shoe components division were by reorganisation in the UK moulding subsidiary although the unit moved back into profit in the fourth quarter. Over-However, the costs of retaining the group's independence resulted in a £378,000 extraordinary debit for bid expenses, ment in Canada and the elimination of losses at Vinaflex

America. Overall, the division

increased operating profits by 4 per cent to £3.97m (£3.82m). A slight fall in the tax charge from £2.18m to £2.09m helped push earnings per share up 33.5 per cent to 9.17p (6.87p). The interest charge was also down slightly to £1.01m (£1.32m), leaving the end-year gearing level at 40 per cent level at 40 per cent.

The final dividend was set at 3.55p (2.95p), making a total of 4.75p (4.05p). Chamberlain's shares closed unchanged at 148p yesterday, compared with Wardle's final cash offer of

# **Western Motor chiefs lift** stakes via option exercise

BY CLAY HARRIS

THE JOINT managing directors of Western after the exercise of of Western Motor Roldings the options, granted during a have exercised options to raise their holdings in the cardelivery transporter in time to take advantage of a two-for-three rights issue which will raise £7m towards the acquisi-tion of Penta, the Reading-based motor dealer.

Mr Richard Palmer and Mr Bruce McNeill each bought an additional 2.1 per cent stake at a cost of nearly £119,000 to raise their respective holdings to 3.9 per cent and 5.2 per

The exercise price was 230p against Western's market price at suspension of 345p and the rights price of 330p.

The two men intend to take up their rights, unlike Samuel Montagu, the merchant bank, which now holds 26.4 per cent

SAVILLE GORDON Proper ties has acquired the freehold investment property Jason House, Horsforth, Leeds for £1.12m. The current rent roll for Jason House was £96,240 and reviews occur from 1988

ELECTRON HOUSE, electronic components and computer peripherals distributor, has completed, via its wholly owned subsidiary Bytech, the acquisition of Comway from Waycom Holdings. Conway, a distributor of Intel sytems, incurred a £98,000 loss in the year ended October, 1986. Consideration is some £0.5m in cash.

# Sterling **Publishing** makes first acquisitions

Sterling Publishing Group, a leading publisher of annual international technology and management reviews, yesterday announced its first full year results as a public company and also its first two acquisitions.

acquisitions.
In the year ended March
21 1987 Sterling raised pretax profits from £939,000 to
£1.06m, on sales 39 per cent
higher at £7.66m, against
£5.5m. Earnings per share
were 4.82p (4.49p) and a divident 10 per cent higher at
2.2p (2p) is proposed.
The company is paying an
initial £420,000 plus earn-out
for Concorde Services which
will extend its activities into

will extend its activities into he conferences market. Cont he conferences market. Consideration is to be met by the issue of new ordinary shares, of which 71,398 will be issued and held by the vendors and the balance to be the subject of a vendor placing by the company's brokers, Alexanders Laing & Crulekshank, to raise £350,000.

The purchase of ReActions and ICB Publications (the ReActions Group), for which Sterling is paying £350,000 plus earn-out, brings into the group two fast growing monthly magazines serving profitable specialist areas of the re-insurance market and

the re-insurance market and international banking com-

munity.

Again, this purchase will be met by the issueof Sterling shares, with 186,169 to be held by the vendors and the balance the subject of a vendor placing by Alexanders Laing to raise some £175,000. Sterling said yesterday that

its prospects for the current year were looking good, as indicated by a 29 per cent increase in orders received in 1987. The group was continu-ing to review acquisition

### Paris listing next month for Hanson

By Nikki Tait

Hanson Trust, the industrial conglomerate which last year took over Imperial Group after a £2.6bn bid battle, is to list its shares in Paris from the beginning of next month. next month.

Hanson has appointed Fauchier-Magnan-Durant de Aulnois as its brokers there, and Banque Paribas will introduce the shares to the market Hanson does not in connection with the listing.

Hanson said that the listing reflected "the widening globalisation of the equity market"; it already has list-ings in Switzerland and, in American Depository Receipt form, in the US.

The company has no signi-ficant manufacturing interests in France. However, Hanson director Mr Martin Taylor added yesterday that the list-ing does not preface acquisi-

KINGSLEY & FORESTER Group has acquired Bolton-based Townsend Cycles for 229,469 shares worth approxi-mately £150,000. Forecast profits for Townsend for 1987 were £75-£100,000 and the company was well on target for the higher figure. The outlook for 1988 was also extremely encouraging.

# Peel arranges further finance

up 14.2%

up 53.9%

up 48.5%

up 37.5%

-- Donald Barnes, Chairman.

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT Peel Holdings, the edge-of- Barclays and Lloyds.

Fine Art Developments plc

-mail order and greeting cards -

Year ended 31st March 1987

The business outlook is good and I look forward to another excellent year. Our policy

of developing the group's existing business whilst continuing to look at suitable acquisitions will, I believe, bring not only handsome rewards but also provide a solid

£161.1m

£ 15.5m

14.5p

Peel Holdings, the edge-oftown retail property developer
with an extensive industrial
property portfolio, has taken its
financial restructuring a stage
further with the arrangement
of a £50m medium-term bank
facility.

The facility was arranged by

Barclays and Lloyds.

The company can draw on
the facility when it wishes for
seven years. The
sure funds available will be used to
for retail property developments
which have a total cost of £75m.
This is Peel's third excursion
into the capital markets in the

Barclays and Lloyds.

The company can draw on
£24.1m from an issue of 5.25 per
cent convertible preference
shares and £35m from a 94 per
cent first mortgage debenture
stock.

Peel's debt-equity ratio has
now been reduced to 66 per
cent. The debt service charges
into the capital markets in the
returns the company is obtainlast month. In May it raised £24.1m from an issue of 5.25 per

returns the company is obtaining from its properties. The company has been building up a retail portfolio while relying for its revenue on industrial

property rents.
It expects shortly to announce plans for the development of a further Im sq ft of retail space. This would bring its total portfolio of completed retail developments, those under construction and those immediately planned, to 3.8m

The new banking arrangement carries a facility fee of 12.5 basis points and a margin of 25 basis points. It is unlikely that Peel will now need to make any further visits to the capital markets for at least 18 months. although it would be prepared to consider a sterling commercial paper programme.

# Goodman in talks

Goodman Brothers, the clothing manufacturer whose shares were suspended on June 4, said that it had entered negotiations that could lead to a substantial acquisition, subject to shareholders' approval.

Goodman's shares had risen from 46p to 63p in the days before the suspension, at which time its market capitalisation

# Now we're duplicating our UK success in the US of A.

During the last year we have continued our programme of expansion and acquisition in the office equipment sector.

The Company has grown impressively over the last year in V terms of turnover, pre-tax profit, and earnings per share.

The compound annual growth rate in earnings per share over the last four years has been 31%.

FINANCIAL HIGHLIGHTS

Turnover Pre-tax Profit £71m up 108% £4.7m up 70%

Earnings per share

14.6p up 36%

Contributing to our growth in the UK market were several acquisitions including Barratt, the UK's only national dealer for Canon copiers and facsimile products with which we have already achieved a major turnaround.

Having established ourselves as the largest independent distributor of copiers in the UK we made our entry into the US market with the acquisition of Zeno Systems, the largest distributor of Sharp copiers in the USA. Since the

year end we have also acquired Mirex Corporation of Texas, which brings yet another leading US office equipment company under our

The success of the Group owes a great deal to its managerial style, a style that ensures that all companies retain their individual identities while benefiting from firm guidance, strict financial

disciplines and clearly defined strategies from the central team. For the coming year our strategy is to continue to develop our existing office equipment businesses and to maintain our active acquisition policy both in the US and the UK. This strategy

offers very exciting prospects. For a copy of our Report and Accounts write to Ian Bryant, Erskine House Group plc, Erskine House, 7 Botolph's Road, Sevenoaks, Kent TN13 3AJ or telephone 0732 460044.

NEW ISSUE

This announcement appears as a matter of record only.



# **SUMITOMO CORPORATION**

(Sumitomo Shoji Kabushiki Kaisha) (Incorporated with limited liability under the Commercial Code of Japan)

# U.S.\$400,000,000

1¼ per cent. Notes Due 1992

Warrants

to subscribe for shares of common stock of Sumitomo Corporation

**ISSUE PRICE: 100 PER CENT.** 

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The 1987 Report and Accounts are available from the Secretary at Fine Art House, Queen Street, Burton upon Trent, Staffordshire, DE14 3LP.

Prev High Low 51.85 52.59 51.70 52.40 52.95 52.20 53.25 53.55 53.00 54.05 54.35 53.80 54.80 55.00 54.80 55.50 58.88 56.30

810.0 789.0 802.0 802.0 820.0 611.0

ORANGE JUICE 15,000 lb, cents/lb

GE JORGE 15,000 18, Center 133,80 133,50 134,50 135,50 128,10 129,10 129,10 123,35 123,45 123,00 123,35 123

PLATINUM 50 troy oz. \$/troy oz

June 577.0 597.8 597.5 5

# Mr MacGregor in the hot seat

JOHN MACGREGOR, Agriculture Britain's new Agriculture Minister, is embarking on what promises to be his most difficult job in a so far impressive political career. Thrown into the middle of the EC's stalled farm price negotiations, which resumed in Luxembourg yesterday, the man who took over in the weekend Cabinet re-shuffle from Mr Michael Jopling immediately struck a cautious balance between the pressing need to contain Europe's agricultural surpluses and the domestic political reality of having to protect the interests of British farmers.

"The message we have to present to our farmers is a difficult one." he told his new colleagues in the EC Farm Council. "We all face pressures over the level of farm income and in Britain these have fallen sharply in real

action is not the continuation of the present situation but a

**Export Council** 

farming group

THE BRITISH Agricultural

Export Council, the privately-funded body which aims to pro-

mote the sale of UK agricul-

tural expertise and equipment overseas, is setting up a fish

farming group.

Fish farming is probably the

fastest growing sector in food production industries through-

out the world and most countries now have some inland facilities for fish production, according to Mr David Welch, an area executive of the

sets up fish

By David Blackwell



Mr John MacGregor . . . struck a cautious balance

MacGregor added: measures of reform have to be "But at the same time farmers understand that overproduction cannot continue.
They are looking to us to lead
them out of the problem, not
further into it. They know
that the alternative to decisive
of adjustment."

But at the same time farfair as between member states
and individual producers. I
cannot tell my farmers, nor will
I, that I have participated in
decisions which place on them
an unfair share of the burden
of adjustment." Reconciling his two sims will no doubt prove as troublesome

disorderly descent into chaos." as it did for his predecessor. As for farmers, he finds them
On a more reassuring note especially as the pressure 'flexible and realistic' though
for the farm lobbies, Mr grows on Ministers in the next he added, no doubt aware of

BY DAYID BLACKWELL

Cocoa prices recover

few days to agree cutbacks in what is to come: "They can be the EC's spiralling farm budget. But as former Chief what they say". What they will Secretary to the Treasury and think of Mr MacGregor—cheet-Secretary to the Treasury and think of Mr MacGregor — cheer-before that Minister of State ful and at 50 just as rubicund at the Ministry of Agriculture, as Mr Jopling, remains to be Fisheries and Food (under Mr seen. But his articulate style Jopling). Mr MacGregor would and grasp of the financial reali-appear to be the ideal man to ties he was a director of Hill ties — he was a director of Hill Samuel in the 1970s — imply a eep up the pressure for CAP

While his sharp financial playing himself into the new role and refused to be drawn on any specific ideas for this week's negotiations. There has skills and clear presentation of economic policy won high marks at the Treasury, Mr MacGregor first established his reputation as the Minister for Small Businesses at the Depart-ment of Industry. That was a relatively junior job but at a time when small businesses by the comments of officials were very much the new centre-piece of the UK Government's economic strategy he enjoyed a very high profile, bags of good publicity, and an energetic schedule of visits round the country "spreading the gospel."

He is clearly relishing the opportunity to get out and about more and said yesterday that his experience of small businesses had given him a hetter knowledge of the countryside and of the possible alternative uses for surplus

land.
As for farmers, he finds them

LONDON **MARKETS** CASH GRADE "A" copper

climbed to a 14-month high on the London Metal Exchange yesterday as sterling lost ground against the dollar, in dollar terms the mice was actually down from the dollar. In dollar terms the price was actually down from Friday's after-hours close. Dealers said the £9 rise to £975 a tonne mainly refigete; "aggressive trade house borrowing" (huying each and selling forward). The sterling aluminium contracts was also higher, by £14 at £919 a tonne, INDICES

REUTERS

DOW JONES

MEAT

June 18 June 11 M'th ago Yearage

1608,7 1596,2 1625,1 1548,6

Dow June June Mith Year Jones 11 12 ago ago

Spot 199,64 129,86 - 194,98 Fut 128,30 128,15 - 114,15

(Base: December 31 1931 -- 100)

BABAT COMMISSION—Average fat-stock prices at representative markets GB—Cattle 99.39p per kg lw (+0.61). GB—Sheep 213.43p per kg dat daw (-8.60). GB—Figs 73.79p per kg lw (-0.44). FUTURIES—Pigs: Nov 102.50. Seles: 2.

MAIN PRICE CHANGES

Aluminium ....... \$1800/620

June 15 + or Month 1987 - 200

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Change	during week ending last Friday) (tonnes)
Aluminium Copper Lead Nickel Tin Zinc	4,975 to 98,425 +850 to 108,100 +900 to 28,250 +708 to 7,824 -90 to 27,590 -550 to 28,450 (ounces)
Silver	+60,000 to 22,348,000

but the higher grade dollar quotation was down \$8.50 at \$1,577.50 a tonne. Apart from si,577.50 a tonne. Apart from the currency factor dealers said some speculative buying and short-covering was triggered when standard grade three months alumi-nium beached the £900 a tonne level. It ended with a rise of £11.50 at £905.50 a

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

es et in main la l'Utabilleur	Paim Ma Seeds
99.7%  Unofficial + or  High / Low purity  close (p.m.) —	Copra (P Soyabea
	GRAINS
Cash 1575-80 -8.5 1580/573	Barley Fo Malze Wheat Fo
Official closing (am): Cash	No. 2 Ha
(), three months 1,578-9 (1,587-9).	OTHERS
close: 1,572-5. Turnover: 475 tonnes.	Cocoa Fi
99,5% £ per purity tonne	Ges Oil A Rubber (
Cash 918-30 +14 5 months 905-6 +11.5 1580/573	Sugar (ra Wooltops # Unqu
Official station (amb) Cook 914-15	a pound.

Official closing (am): Cash 914-15 (899.5-900), three months 899.9 (888-9), settlement 915 (900). Final Kerb close: 909.5-904. Turnover: 10,225 tonnes.

### COPPER

PPE	ER			lower for	was fixed spot deliv scket veste
ade A	Unoffic close £ per	_	High/Low	cent equi were: Spo month 76	valents of t 749.9c, c 3.1c, down
ntha	974-6 955-5	+9,25	975 957/948	805.5c, do at 466-465	lown 42.9 wn 45.55c. p (766-77)
isial si 5), thre	losing (a se month:	!ភា): ( s. 965-5	ash 975-6 .5 (944-5).	403-40CD	(749-753c).
ment 9 -67.	76 (985).	Final	Kerb clase:	SILVER per	Buillon Fixing

Official closing (am): Cash 952-5 (938-9), three months 930-32 (917-20), septlement 955 (939). US Producer prices 74-77.75 cents a pound. Total

# LEAD

close (p.m.) - High/Low	tucondivant	the atternoo
£ per tonne   381/390	COFFEE	Yesterday -
nths 358-9 (-0.78   360,358   icial closing (am): Cash 378-9 9), three months 358-59-5 (361- settlament 379 (389). Final Kerb  : 359-60. Turnover: 6,925 tonnes- spot: 24-37 cents a pound.	Sept Nov Jan Mar May	1300-1503  +7 1318-1519  +1 1336-1538 +1 1355-1580 +1 1355-1580  +1 13590-1400  +6 1400-1420  +1
Unofficial + or	ICO indic	88 (1,962) lot ator prices (

	close (p.m.) —	High/Low	
esh months	2760-70 —15 2795-800 —15	2735/2781 2835/2760	
(2,710-20), 3), settlen	closing (em): Cs , three months 2,75 nent 2,735 (2,720). 5-800. Turnover: 1,	i0-5 (2,750- Final Kerb	

High grade	Unofficial + or close (p.m.) - £ per tonne	HighrLow
Cash 3 months	566.5-67.5 +5.5 586.5-37 +6.6	537/626
(560-1), th settlement 532-3. T	closing (sm); C. tree months \$35-7 568 (561). Final K urnover: 9,625 ton tern: 45.5-48.5 cent	(527.5-8). Gerb close: nes. US

KUALA LUMPUR TIN MARKET.—Close: 18.80 (same) ringgit per kg. LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price Srtonne	Galle Nov.	Puts Nov.	and Cor mai Cla
Alumin- ium 99.7%	=	=	=	_
		July Sept.		JI.
Alumin- lum \$5.88	1,450 1,475 1,500	3819 41	14 581 <sub>2</sub> 24 511 <sub>2</sub>	J: A: J:
Copper (Grade A)	1,550 1,575 1,600	34 34	23 411g 33 55	Ja A Bi
Copper (Grade A)	£itonne 980 975	2B1e	111g 381g 23ig 39	GI

# 1000 7 1018 - -

GOLD
GOLD BULLION (fine ounce) June 15
Close 5449 \( \) 450 (£275 \( \) 276) Opening \$452 \( \) 453 (£275 \( \) 475 \( \) 1 M'n'g fix. \$450.35 (£274.405) Alt'a'n fix \$449.75 (£274.908) Day's high \$452 \( \) 453 Day's low \$447 \( \) 2448
GOLD AND PLATINUM COINS
Am Eagle, 8462-467 (£283]4-2864, Maplelanf 8461 4-464 (£2882)3-88412 (£754-277) 12 Krug \$23712-238 (£14512-1452)4 (£71512-14512)4 (£71512-14512-14512)4 (£71512-14512-14512)4 (£71512-14512-1

LIVERPOOL—Spot and skipment sales for the week commencing June 8 amounted to 712 tonnes, against 742 tonnes in the previous week. Fair operations occurred with documes in Colombian, Egyptian, Russian. Chinese and East and West African varieties.

US MARKETS

A STRENGTHENING U
dollar put precious metal
COURT DIE DICTIONS INCO.
markets under pressure fo
most of the day, report
I DIESE RUTHURU LAUROCT
Local and commission nous
selling in the gold, silver an
histinum futures eased price
desnite trade scale-down DUJ
ing. However, short-coverin
towards the close steadie
towards the close steadied prices and the market
finished with pared losses
Conner also eased on commit
sion house selling, but traut
indifferently for the rest of
f the day. Crude oil steadle
on early trade buying which was joined by local buying
was joined by local huvin
and short-covering before the
trade turned scale-up seller
Trade support was noted in
Trade support was noted in the products. Coffee future
fell as cold weather in Brazi
failed to have the expecte
effect on the markets, forcing
l traders to liquidate. The
i cerune was accentuaten n
producers selling. Coco
rallied on short-covering a
rallied on short-covering a fears over dry weather i
west Africa continued. Suga
i railied on trade buying
touching off commission
house stops before trade Sell
ing pared gains. Trade and
commission house buying
steadled cotton. The grain
were all sharply higher
especially in new crop con
tracts as dry weather moved into growing areas. The ho
into growing areas. The hop
futures railied on continue
fears of tight supplies, a fac

Silver troy oz457,80p —17.5,660.45p 3 months487,75p —17.7,572,30p Tin	especially in new erop con- tracts as dry weather moved into growing areas. The hog futures railied on continued fears of tight supplies, a fac- tor which has kept pork bellies huoyant. Cattle futures were quiet, awaiting last night's cattle-on-feed report.
Copra (Phil) \$290.8y\$285 Soyabean (U.S.) \$158.6 (+2.5 \$152 GRAINS	NEW YORK
	ALUMINIUM 400.00 (b, cents/lb
Barley Fut. Sept £96,95 -0.25,£98,15 Malze £155.00£149,00	Clase Prev Migh Lov
Wheat Fut Sept £99,35 -0.26 £122,00 No. 2 Hard Wint :	July 72.90 73.00 72.90 72.9
OTHERS	August 71.05 71.15 ~ Sept 70.30 70.50 70.50 70.2
Cocoa Ft. Sept  E1224.5 + 8   121279.5	Dec 69.60 69.60
Coffee Ft. Sept  81318.5  +11  £1372.5	Jan 69.50 69.50   March 69.50 69.50
Cotton A Ind.* 81.35c +1.5 77,10c Ges Oll Aug. 5158 +1.6 8154.5	March 69.50 69.50   May 69.50 69.50
Rubber (kijo)   63,75p  +0,25,62,6p   Sugar (raw)   \$1712  +0,4  \$181,6	COCOA 10 tonnes, \$/tonnes
Wooltops 64s 487p kilo481p kilo	Close Prev High Lov
	July 1842 1833 1849 192
# Unquoted. † Per 75-th flask. c Cents	Sept 1877 1863 1881 165
a pound. * Cotton outlook, v July. z June/July. x July/Aug. y Aug.	Dec 1901 1691 1905 1673 March 1933 1920 1933 1313
2 Sansy Saly: X Saly Mag. 7 Mag.	May 1963 1950 1945 194
	July 1989 1980 1975 1976
SILVER	Sept 2018 2008 2020 2008 COFFEE "C" 37,500 lb, cants/lb
Silver was fixed 17.55p an ounce	
lower for spot delivery in the London	Close Prev High Low July 108.25 112.03 111.40 108.14
bullion market yestarday at 457.8p. US	Sept 108.63 113.95 113.30 108.25
cent equivalents of the fixing levels	Dec 111.27 116.04 115.25 111.11

COTTON 50,000 lbs, cents/lb

GOLD 100 tray oz, \$/tray oz

CRUDE OIL (LIGHT) 42,000 US gallons, S/

72.25 72.45 68.00

High 78.12 74.85 73.40

n 466-489 159-462p (	p (766-77 (749-753c)	(Oc)	and close	d at	
SILVER per troy oz	Builion Fixing Price	+ or	LM.E. p.m., Unoffic'i	- - -	1
pot months. months. months	477.30p	-17.7 -17.7	461.5p 471p	5,5 6 1	[ ; ] ; ] ; ] ; ] ; ] ; ] ; ] ; ] ; ] ;
				- 1	S

		_	_
COF	FE	E	
	_		

With no froat reported over the wekend in Brazil early long liquidation asset the market to the day's low in light conditions, reports Drexel Burnham Lambert. Price-fixing and weakening sterling steedied the market throughout the element
throughout the alternoon.

COFFEE	Yesterd ay close	+ or	Business done
July Sept Nov Jan Mar July	1336- <i> 83</i> 8   4 1355-1880   4 1378-1885   4 1390-1400   4	11.5 10.0 11.5	1821-1293 1340-1314 1355-1837 1372-1360
Sales: 2.488 (1.962) lots of 5 tonnes. ICO indicator prices (US cents per pound) for June 12: Comp. daily 1979 104.63 (105.21); 15-day average 107.23 (107.78).			

# COCOA

After opening unchanged, as expec-
ted, futures eased £10 before rellying
after buller stock buying of 5,000
ted, lutures eased £10 before rallying after buller stock buying of 5,000 tonnes to close marginally steadler on the day. Physical interest was other-
the day Physical interest was other-
was restricted on links assend hand
wise restricted to light second-hand and consumer trading on the nears,
and consumer tracing on the hears,
reports Gill and Dulfus.

Yesterday's close	+ or	Business
£ per tonne	_	2010
		1245-1281 1928-1218
1349 1250	+2.0	1252-1235 1276-1257
	+5.0	1296-1277 1511-1296
	£ per tonne £ per tonne 1344-1245 1334-1225 1349-1250 1371-1272	£ per tonne 1344 1245 +3.0 1234 1225 +3.0 1349 1250 +2.0 1371-1272 +2.0

Sales: 4.048 (3,541) lots of 10 tonnes. 1CCO indicator prices (SDRs per tonne). Daily price for July 12: 1,507.64 (1,522.20); 10-day average for June 15: 1,519.12 (1,522.68).

# FREIGHT FUTURES Lavels were confirmed to the lower id of the established trading range, and tione were thin and the physical arket continued featureless, reports

Clarkso	n Wolfi.		
	Close	High/Low	Prav.
	Dry	Cargo	
July Oct, Jan, Apr. July Oct, Jan, April BFI,	849/853 930 936/945 990/1026 850/890 900 970 970 950 973,5	939/930 940/935 1000/997	858 940 935/950 1800/1420 890 980 970 990 977

### utnovar: 195 (221). DAING

GHAINS
Old crop wheat failed to maintain
the provious weeks steady trend, dip-
ping sharply on consumpt and shippor-
broker solling and closing just off the lows. New crops again strected spacu-
lative solling interest from shipper and
consumer sources with merchant sup-
part preventing further waskness, re-
ports T. G. Roddick.

dov 101.60   -0.30   99.40   -0.20   -0.25   101.80   -0.25   101.80   -0.25   103.90   -0.20		/HEA: Yest'rdy'; close	;+ or  -	BAR Yest'rdy's close	LEY + or
Asy 109.50 -0.20: 105,80 -0.20 uly 111.65 -0.25 -	ep lov, lan lar lay	99,35 101,60 104,35 106,60 109,50	-0.25 -0.30 -0.30 -0.20	96.95 99.40 101.80 103.90 105.80	-0.20 -0.25 -0.25 -0.20 -0.20

Business done—Wheat: July 119,00-7,95, Sopt 93 35-9 30, Nov 101,70-1.80, Jan 104 35-4.30, March 105,65-6.60, May 106 50, July 111,65-1 50, Sales: 194 lors of 100 tonnes. Barley: Sopt 96,95,( Nov 90,40, Jan 101,80, March 103 90, May untradad. Sales: 56 lots of 100 tonnes. 133 90, May unireded. Sales: 56 lots of 100 tonnes.
LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July and Aug 32.50. Sept 92.75. US No 2 Soft Red Winter: July 84.50, Aug 85.75, Sept 87.75. French 112-12 per cent:

**CHICAGO** LIVE CATTLE 40,000 tb. cents/ib LIVE HOGS 30,000 lb, cents/lb Close Prov High
Line 63.37 62.67 63.57
July 59.27 62.67 63.57
August 54.20 53.62 54.85
Oct 65.65 45.57 45.75
Dec 45.45 45.20 45.72
Feb 44.30 44.20 44.75
April 41.90 41.85 42.16
June 43.65 43.67 43.67
July 43.30 43.53

MAIZE
5,000 bu min, cents/55 lb bushel

Close 73.40 76.17 61.40 61.50 Close Prev 602.6 574.4 608.2 579.4 2 623.0 593.0 631.5 607.5 641.2 618.0 618.0 649.0 616.0 Close Prev High July 602.6 574.4 603.6 4 603.6 574.4 603.6 4 603.6 4 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.6 603.0 603

199.0 169.0 199.0 189.0 198.0 188.0 198.0 168.0 74.25 72.80 74.45 73.05 69.00 68.50 May July Aug SOYABEAN OIL 60,000 lbs. cents/lb Close Frew 17.26 16.51 17.47 15.69 17.70 16.88 17.91 17.05 18.37 17.50 18.72 18.67 18.90 19.15 18.27 Latrest Prew High Low July 20.07 19.91 20.11 19.86 Aug 19.77 19.62 19.80 19.50 Sept 19.49 19.49 19.49 19.40 19.40 19.40 19.40 19.40 19.40 19.30 19.40 19.30 19.30 19.30 19.30 19.31 March 19.32 19.33 19.34 19.35 19.31 March 19.34 19.35 19.31 March 19.20 19.26 19.27 19.28 19.29 19.28 May 19.20 19.28 19.29 19.28 19.20 19.28 19.20 19.26 5.000 b WHEAT 5.000 bu min, cents/60 lb bushe

Close Prev High 275.6 263.4 277.4 281.0 288.5 284.4 292.0 279.4 294.4 295.0 276.0 276.0 276.0 July Sept Dec March May July 451.8 457.0 461.0 467.0 473.5 473.5 487.0 494.0 507.0 SPOT PRICES: Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 754.5 (770.0) cents per troy conce. New York tin 318-19 (316-20) cents per pound.

June 143.00. English facet. Iob: July 121.00-122.00. Sept 101.00-102.00. Oct/ Dec 105.00-105.24. Jan/March 99-00-99.50 buyer/sellers. Maize: US No. 3 Yellow / Franch. transhipment East Coast' Spot 153.90. Barley: English leed. Iob: Aug 99.00. Sept 100.50 sellers. Oct/Dec 103.00-104.00. Jan/ March 107.00-107.75 buyer/sellers. HGCA — Locational ca-larm spot prices. Feed bartey: Eastern 105 00, E. Midlands 103.30, N. East 104.00. The UK monetary coefficient for the week beginning Monday June 22 (besed on HGCA calculations using four days' dachange rates) is expected to remain unchanged.

100 roy 62 454.6 452.8 452.8 453.9 456.3 452.5 462.0 464.3 462.5 467.3 469.7 468.0 472.9 475.5 471.5 478.5 481.3 476.5 484.4 487.4 482.0 480.6 493.8 482.5 496.9 503.2 506.8 504.0 509.6 513.4 511.0

# POTATOES

After an initial dip April found atrong buying which litted values C1.40 from the previous close. In lacklustre trads sellers pushed values back to unchanged by medday. Afternoon trade was agent light with prolit-taking lifting April, reports Coley and Harper. Yesterday's Provious Business close close done

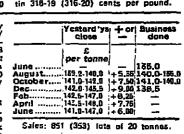
90.80, 90.50 90.80-90.70 99.50 99.50 130.30 130.10 131.60-129.50 143.50 148.50 Sales: 323 (334) lots of 40 tonnes.

	Latest	Change 十 or —		
CRUDE OIL-FOB IS	per barrel	ı—July		
Arab Light, Arab Heavy,,	! =	-		
Dubai	17.20-17.30	-0.025		
Bront Blond W.T.I. Ipm est	19.95 20.00	» ~0.05 - +0.125		
Forcados (Nigeria) Urais (est NWE),	i =	· -		
	,	. –		
PRODUCTS—North West Europa				

Prompt delivery cif is per tonne Petroleum Argus estimotos.

SOYABEAN MEAL

In a very firm market commercial and speculative buying pushed prices to limit-up with only scale-up option hadge selling in opposition. Further sairs were registered on continued hat and dry weather in the US and a lack of nearby supplies with consumers county. cought short, reports Mulipage



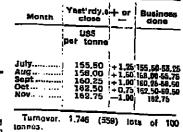
# SUGAR

LONDON DAILY PRICE—Raw augar S171.00 (£104.60), up 40c (up £1.80) a tonne for June/July delivery. White sugar \$180.60, down \$1.50.

No. 6 Yest'day's: Previous Business Con-close close done Aug .... 154,09-154,2: 148,8-144,8:154,8-149,2
Oct ... 161,40-151,6: 155,4-156,6: 162,4-157,0
Doc ... 155,00-165,8: 158,0-160,6: 161,8-181,0
Mar ... 170,80-171,2; 165,0-165,2: 171,4-158,8
May ... 174,29-174,6: 183,0-165,2:
Aug ... 177,60-178,6: 172,6-173,5: ...
Oct ... 179,00-190,4: 174,2-175,8: ... Siles: 3.494 (2.105) lots of 50 tonnes. Tate and Lyle delivery prices for granulated bears sugar was £206.60 (2307.00) a tonne for export. International Sugar Agreement—(US cents per pound lob and stowed Carlibban ports). Prices for June 12: Daily price 5.38 (6.37); 15-day average 8.42 (6.35).

LIRE-Tunnover: 1 (nil) lots of 10,000 nunces.
Three months high/low 467p, final kerb 470-5c.
PARIS—(FF per tonne); Aug 1129-1132, Oct 1157-1760, Dec 1172-1185, March 1218-1230, May 1246-1260, Aug 1279-1292.

GAS OIL FUTURES



TEA

There were 30.324 packages on offer at the London tea Juction, including 3,400 packages in the offshore section, reports the Tee Brokers' Association.

### council. The UK should be selling its goods and services vigorously, and should also be making it easy for fish farming companies The buffer stock manager overseas to contact UK suppliers. started buying cocca nearly a month ago to defend the "must buy level" of 1,600 SDRs a farming expertise in the UK, ranging from consultancy to the manufacturing of equipment, feed and vaccine," said Mr Welch. Given the surplus of production in the current season, the tonne set by the 1986 international cocoa agreement. He market to find a now has 58,000 tonnes in stock.

the dollar, as well as a further purchase of 5,000 tonnes by the International Cocoa Organisation's buffer stock manager.

Dealers said the avalanche of selling which sent prices into an early decline involved are an early decline involved con-sumers who had bought cocoa

from 4-year lows COCOA PRICES dipped to a been well below 1,600 SDRs, new four-year low of £1,213 a closing on Friday at 1519.12

tonne for the September con-tract in London yesterday morn-When his stocks reach 75,000 ing before recovering to close at £1,224.50 a tonne, a rise of £3 over Friday's closing price. The recovery in the afternoon tonnes the "must buy" price will be lowered automatically to 1485 SDRs a tonne — the next level of defence which Mr reflected lower sterling against John Patrick of brokers Gill and Duffus believes the buffer stock manager should be able

The latest Gill & Duffus Cocoa Market Report, however, chides the market for its sumers who had bought cocoa myopia in concentrating on the from producers but had not "minutiae of buffer stock hedged on the futures market.

They also saw arbitrage buying against the New York market.

received far less attention than it may deserve."

### **US** heatwave boosts soya markets

rigourous approach,

Yesterday he was very much

by the comments of officials these are likely to concentrate on technical issues like the re-

on technical issues like the terminal imbursement of interest to member states paid on their storage costs rather than a fundamentally new initiative.

Yesterday's "jumbo" session with the Finance Ministers was followed by discussions with representatives of the European Parliament on the package of

so-called socio-structural mea-sures. That meant the serious

negotiations—notably on the proposals for a new oils and fats tax and the reform of the agri-mometary system—did not

get underway until the early

By Our Commodities Staff

EXCEPTIONALLY hot weather in US growing areas at the weekend fuelled fears about possible soyabean crop damage and drove prices sharply higher in the Chicago soya complex yesterday.

In early dealings soyabean futures registered gains of up to 24.5 cents a bushel, pushing all positions except prompt July above the \$6 a bushel mark. At the same time nearby soyameal futures rose above the 190 cents a ton mark, with gains of 8 to 10 cents a ton, and rises of around 0.5 cents

a pound took nearby soyaoil above 17 cents.

In London the August position on the soyabean meal futures market closed £5.35 higher at £139.60 a tonne while the December quotation was up £9 to £142.75 a tonne. Prices for soyabeans and pro-

now has 58,000 tonnes in stock, measure of support in the ducts had already shown strong but the indicator price has range of 1,485 SDRs a tonne.

# The jewel in Guinea's crown

AFTER A shaky start the Aredor diamond and gold mining project at Gbenko in southeast Guinea is starting to sparkle following sharply improved production and prices combined with reduced operat-

ing costs last year. The Aredor alluvial diamond mine is reputed to be the richest in the world in terms of the average price per carat. High quality gemstones are estimated to account for 83 per cent of its production.

The project, managed by Australia's Bridge Oil group, is forecast to make an operating profit of \$19m on sales of \$54m in 1987.

largest single contributor to Bridge group profit in 1987," according to Mr Steven Koroknay, the group's general manager, resources.

Earnings from the project are expected to rise further when a scheme to extract gold from diamond-bearing gravel starts operating in September 1987. Separate gold

"Aredor is likely to be the

mining is envisaged later. Diamond output rose 54 per cent last year to a record 203,795 carats while prices rose by a similar amount to an average \$249 per carat. At the same time operating costs fell 25 per cent, mainly because of savings

in fuel and expatriate salaries. The Aredor project also brought the Guinean Government — a 50 per cent partner in the venture - revenue of nearly \$13m last year. Previously government revenue from diamonds was negligible. Private Guinean miners smuggled their output into Liberia, Sierra Leone and the Ivory Coast. Private diamond mining and trading was banned by the military regime of General Lansana

Conte in early 1985. For political reasons Aredor diamonds are marketed through an independent dealer, Indus-trial Diamond Company (IDC) of the UK, rather than through the De Beers Central Selling Organisation, which handles about 80 per cent of world output. The stones are sorted in Conakry and independently valued before being flown to London where they are acidised to improve quality and reclassi-

Five sales are held annually in Europe, usually in lots of 40,000 carats, about a formight before the CSO sightings. Stones weighing more than 100 carats are auctioned separately. In February Aredor sold a 100.2 carat gemstone for a record \$1.6m. About 20 "special size" stones of over 15 carats are mined each month. The average stone size last year was 0.8



Aredor gems have doubled in 1958. The Soviet Union took value over the past 18 months and are now averaging \$270 per carat, about 30 per cent more than other uncut diamonds. Bridge expects prices to rise to 1987, which would be almost territory, observers point out.
60 per cent above the \$185 forecast in the feasibility study, ent because it involves deeper When the decision to invest in the Aredor project was taken in 1981 diamond prices were riding

high, but soon afterwards they started falling. Sydney-based Bridge Oil is managed with a 79.2 per cent stake in Aredor Holdings. Other members are the International members are the International Finance Corporation, the World Bank's private sector lending affiliate, Industrial Diamond Company of the UK, BT Australia and Simonius, Vischer of Switzerland. The Aredor diamond project involved an investment of Silvers and Si investment of \$21m and was the first major western investment in Guinea since the Friquia and Boke alumina and bauxite projects in the 1960s and 1970s.

How did an Australian oil company with no experience of either Africa or diamonds become involved in the Aredor project. One factor was personal links between Mr Robert Vischer, a Swiss diamond dealer and Mr Robert Strauss, Bridge Oil's chairman.

Concessions covering 730 sq kms.

"Illegal mining is now under ate priority they could be mined later. according to Mr Koroknay.

Strauss, Bridge Oil's chairman.

The first approach was made during the late 1970's when Guinea was still ruled by the mercurial President Sekou Toure. An Australian company was seen as more politically acceptable than a European or American company. pany. The lease area, on the Sierra Leonean and Liberian borders, had previously been

over but it too was shown the door in 1967,

Since then the region has

been exploited by small scale Guinean miners. Bridge isn't venturing into virgin diamond mining and more intensive extraction," Mr Koroknay ex-plained. The grade (concentra-tion) of diamonds is low but the value of diamonds is high.
"A big throughput is needed to make the mine economic," Mr Koroknay explained. Some 6,000 tonnes of gravel have to be washed and screened in order to produce 120 grammes (600 carats) of diamonds a day.

Bridge hired a team of veteran British miners With extensive experience of the diamond mines in neighbouring Sierra Leone. There were several important differences in the Guinean terrain, however, with the rivers flowing in oppo-site directions and the diamonds deeper and more clustered. Aredor's original 25-year lease has been reduced to 9,200 sq kms with mining focused on two concessions covering 730 sq kms.

said Mr Paul Savoy, Aredor's general manager. Aredor employs an unarmed security force is starting to make money more attention may be paid to restor the area of the area of

security officer. Losses are considered to be practically non-existent. Accurate estimation of reserves is another concern. These are currently estimated at 2.4m carats, or about 15 years' production, and include 360,000 carats of proven and 1m of probable reserves.
"We have at least five years
intensive production," said Mr
Alec Mediycott, geology manager.

Production is forecast to remain constant in 1987 and at the end of May was running 4 per cent above target. Some 100,000 sq metres is mined by five draglines monthly to an average depth of seven metres. Production has been increased over the past 18 months by mining through the rainy season, exploiting larger blocks and reducing the amount of

Operating costs have been reduced to \$90 per carat while the number of carats produced per expatriate per month has been increased to 175 from 37, according to Mr Rob Jones, the territory, observers point out.

The Aredor operation is different because it involves deeper number of expatriates were the

main factors in reducing costs. The number of expatriates has been reduced to 109 from 148 in August 1984 and ultimately will be cut to 60. It is mately will be cut to 60. It is estimated that the annual wage bill for 109 expatriates amounts to \$4m compared with \$2.5m for 1.219 Guinean workers. Productivity will be further increased with a gold recovery scheme due to start in September. For a cost of \$400,000 some 10.000 ozs a year of gold, worth about \$4m will be recovered, according to Mr Hank Van Viegen, the plant Hank Van Viegen, the plant

In addition independent gold deposits have been found at the process plant. The reserves Diarokoro, 36 kms northwest of are considered commercial and contain 0.2 to 0.3 gms per cubic

patriates. They are reinforced by 40 armed Guinean soldiers.

About 70 people are arrested each week for illegal mining, kept in the "cooler" and then trucked out to a "safe" distance with a safe and brown by the draglines and in striking contract the same arrested with molehills. The land has been stripped bare and brown by the draglines and in striking contract the same arrested with molehills. ance. With one gemstone worth is in striking contrast to the Sierra Leonean and Liberian about a year's salary the temptation is obvious.

Trust's French subsidiary, until it was forced to leave as a result of political friction a result of political friction following independence in since. With one gemstone worth about a year's salary the temptation is obvious.

Trust's French subsidiary, and the secret is that no a result of political friction worker touches a diamond, following independence in explained Mr Jim Gildea, chief the Environment.

## **CURRENCIES, MONEY & CAPITAL MARKETS**

#### FOREIGN EXCHANGES

## Sterling loses ground

THE POUND lost ground in currency markets yesterday. This was partly due to a revival in dollar confidence which had its effect as well as the absence of any switch into sterling that had been expected after the general

election.

The dollar attracted most of the attention as speculators decided that it would be unwise to run short dollar positions after Friday's US trade and retail price figures which were both marginally better than expected. This coincided with comments made have coincided with comments made by Mr Kitchi Miyazawa, Japanese Finance Minister, that the G7 nations were agreed on the dollar reaching its base level.

Mills , set 1. 1.

The second second

Others were more sceptical, sug-gesting that in the absence of any significant progress on resolving the US budget deficit as well as the trade deficit (the latter is still running well above this year's target of a \$140bn deficit), the dollar was merely taking advantage of current sentiment, rather than

showing a fresh trend. Various rumours were circulating ahead of President Reagan's address to the nation late last night and this added to traders reluctance to run short dollar

The US unit finished at DM 1.8245 from DM 1.8115, having touched a high of DM 1.8280. Against the yen it rose to Y144.75 from Y143.80. Elsewhere it closed at SFr 1.5130 from SFr 1.50 and FFr 6.0425 October 1.550 October 1.550 October 1.550 October at 571.535 from 571.50 and FFr 6.09 against FFr 6.0475. On Bank of England figures, the dollar's exchange rate index rose from 101.3 to 102.1.

#### S IN NEW YORK

June 15	Latest	Previous Close
£ Spot	1.6375-1.6385 0.26-0.25 pm 0.66-0.63 pm 1.70-1.60 pm	1.6520-1.6530 0.25-0.24 pm 0.61-0.58 pm 1.25-1.15 pm

#### STERLING INDEX

		June 15	Previous
8.30	2m	73.3	73.5
9.00	am	73.3	73.5
10.00	am	73.2	73.A
32.00	am	73.2	73.4
Noon	************	73.1	73.6
1.00	pm	73.1	73.6
2.00	pm	73.0	73.4
3.00	DET	73.0	73.4
4.00	(DET)	72.9	73.4

#### **CURRENCY RATES**

June 15	調製物	Special Drawing Rights	Carrescy Unit
Sterling	55	0.78521 1.2858	1.13860
Canadian S		12100	1.52686
Austrian Sch	4	16.4888	14.5934
Beiglan Franc . Danish Krune	74	48.6313 8.80499	43.0589 7.80963
	افدا	2,3453	2.07680
Neth Guilder	442	2,64035	2,33970
French Franc Hallan Lira	92	7 <u>821</u> 4 1695.97	6,92836 1502.66
Jananese Yen	21.	185.54	164.5B4
Norway Krope	8	8.64558	7.56446
Spanish Pesota Swedish Kroma	7/2	163.177 R.15827	7.22496
Swiss Franc	35	1.94217	1.71985
Greek Drach	2012	175.379	155,327
trish Post		0.87557	0.775346

\*CS/SDR rate for June 12: 1.73756

CURRENCY MOVEMENTS								
June 15	Bank of England Index	Morgan Guaranty Changes %						
Sterling U.S. Dollar U.S. Dollar Canadian Dollar Austrian Schilling Beiglan Franc Danish Knose Deutsche Mark Sets Franc Guilder Franch Franc Lira	72.9 102.1 77.3 137.6 99.9 93.0 146.5 172.4 134.8 71.5 47.2 220.6	-20.5 -5.1 -11.3 +10.2 -4.5 +3.3 +21.4 +22.6 +14.2 -13.0 -18.2 +64.4						

#### OTHER CURRENCIES

<b>4</b>		
June 15	£	S
Aroentina	2,7295-2,7410	L6740-L6800
Australia	2.2905-2.2835	1.3945-1.3953
Brazil	61.2100-61.5600	37.5420-37.7300
Finland	7.2130-7.2265	4.4185-4.4205
Greece	221.45-225.40	135,25-137.65
Hoes Kong -	12.7435-12.7535	7.8085-7.8105
1/36	118.25	70.60*
Korea (Sth)	1338.40-1350.55	810.30-816.90
Kuswait	0.45860-0.45890	0.28045-0,28065
Linembourg	61.70-61.80	37.80-37.90
Maleysia	4.0875-4.0950	2.5045-2.5060
Mexico	2113 10-2135.65	1296.00-1309.00
NL Zestand	2.7640-2.7690	1.6870-1.6890
Saudi Ar	6.1330-6.1385	3.7500-3.7510
Singapore	3.4570-3.4630	21185-21195
S. At. (Cm)	3,2985-3,3110	20180-20220
S. Al. (Fn)	5.4555-5.6435	3.3335-3.4485
Tahwan	51.10-51.35	31.05-31.15
	4 ACC P / 6035	

MONEY MARKETS

## Rates edge higher on weaker pound

£20m above target.

The forecast was revised to a shortage of around £600m and the

Bank gave assistance in the morning of £69m through outright purchases of £17m of eligible bank bills in band 1 at 8% per cent and £52m in band 2 also at 8% per cent.

Further help was given in the

afternoon of 2583m through out-right purchases of eligible bank bills in band 1 at 87s per cent-

Total help came to £652m. In Paris the Bank of France left

its money market intervention

INTEREST RATES were a little firmer where changed in the London money market yesterday. This reflected a fairly sharp decline in the value of sterling. A lack of follow through demand after the election and a revival in the dollar's fortunes ensured a weaker pound.

shortage of around £450m with factors affecting the market including the repayment of late assistance and bills maturing in offical hands together with a take up of Treasury bills draining £82m. These were partly offset by Exchequer transactions which added £115m and a fall in the note Exchequer transactions which added £115m and a fall in the note circulation of £380m. In addition

Three-month interbank money was quoted at 8½ per cent from banks brought forward balances £20m above target.

The forecast was revised to a

UK clearing bank base lending rate 9 per cent since May 8

cut in UK clearing bank base rates later this summer although some financial analysts admitted that the longer term outlook for sterling remained less than

In addition the apparent choice between a higher pound or lower interest rates may not have to be interest rates may not have to be taken just yet, given yesterday's paper to inject funds into the firmer dollar.

before slipping away to 4 per cent. However late balances were bld

The Bank of England forecast a

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8240 from DM 1.7973 on Friday.

The firmer undertone reflected comments by the Japanese came back to close at Y144.35 still ap from Y143.95 in New York and Y142.80 in Tokyo on Friday.

Comments by Mr Kiichi Miyazawa, Japanese Finance Minister, that the dollar had comments by the Japanese kave little effect on trading.

Sterling fell away as the Finance Minister that the dollar expected demand by foreign had bottomed out and better than investors failed to materialise. expected trade and inflation investors failed to materianse.

Consequently there appeared to be insufficient impetus to test the Bank of England's apparent resolve to slow any advance above ple of important resistance levels.

Much will depend on further US

resolve to slow any advance above the DM 3.00 level. After touching a high of around DM 2.9950, the pound slipped away to finish at later this week. DM 2.8775 from DM 2.9925 on Friday. Against the yen it slipped to Y236.25 from Y237.50. Elsewhere if fell to SFr 2.47 from SFr 2.4775 and FFr 9.9375 from FFr 9.99. On Bank of England figures, the pound's exchange rate index fell to 72.9 from 73.3 at the opening and 73.4 at Friday close.

D-MARK—Trading range against the dollar in 1987 is 19365 exchange rate index fell improved on Friday's trade figures. These showed a marginal improvement over April's deficit or \$13.6bn at \$13.3bn. The rate of inflation as to 1.7690. May average 1.7887. Exchange rate index 146.5 against the dollar in 1987 is 1.9365 measured by retail prices was also measured by retail prices was also mildly encouraging. However, it met resistance around Y144.50 and came back to close at Y144.35 still ap from Y143.95 in New York and the pound of the poun

#### EMS EUROPEAN CURRENCY UNIT RATES

	Eco central rates	Currency amounts against Ecu June 15	% change from central rate	% change adjusted for divergence	Divergence
igian Franç nish Krone rman D-Mark ench Franc tch Guilder sh Puot Han Lira	42.4582	43.0589	+1.41	+0.77	± 1.5344
	7.85212	7.80963	0.54	-1.88	± 1.6404
	2.05853	2.07680	+0.89	+0.25	± 1.0981
	6.90403	6.92836	+0.35	-0.29	= 1.3674
	2.31943	2.33970	+0.87	+0.23	± 1.5012
	0.768411	0.775346	+0.90	+0.26	= 1.6684
	1483.58	1502.66	+1.29	+1.14	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.											
POUND SPOT—FORWARD AGAINST THE POUND											
June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.					
U\$	1.6285-1.6475	1.6315-1.6325			0.70-0.65 pm	1.65					
Canada	2.1849-2.2013	21995-22005	0.16-0.06c pan		0.26-0.14 pm	0.36					
Netherlands .	3.35-3.374	3.35-3.36	14-17c pm	3.58	3-2≒ pra	3.35					
Belglum	61.58-62.02	61.70-61.80	15-8c pm	2.23	34-23 pm	1.85					
Dermark	11.18%-11.26%	11.21.11.22	l-14-are dis	-0.87	24-23 dis	-0.89					
ireland	1.1095-1.1185	1.1120-1.1130	0.11-0.20 p dis	-1.67	0.36-0.61 dis	-1.74					
W. Germany	2.974-2.994	2.974-2.984	13-14-pi pm	5.04	31 <sub>4</sub> -31 <sub>7</sub> pm	4.87					
Portugal	231.50-233.42	231.50-232.50	64-151c dis	-5.56	301-424 dis	-6.25					
Spain	207.25-208.15	207.25-207.55	87-150c dis	-6.86	275-363 dis	-6.15					

20.2-20.253 | 67-150c ofs | 10.99-11.00 | 45-53, ore dis | 9.934-9.944, | 5-15 c pm | 10.351-20.361-2 | 11-74, y pm | 20.88-20.91 | 81-74, gro pm | 2.461-2.4772 | 11-74c pm | -1.58 -5.80 0.18 -0.65 4.87 4.43 4.76

#### DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

June 15	Day's spread	Clase	One mouth	% p.a.	Three months	% p.a.
UK†	1.6285-1.6475	1.6315-1.6325	0.27-0.24c pm	1.88	0.70-0.65 tm	1.65
trebudt	14650-14738	14665-1.4675	0.46-0.40c pm	3.52	1.27-1.14 pm	3.28
Canada	1.3395-1.3430	1.3405-1.3415	0.12-0.16c pm	1.48	0.39-0.42pm	1.21
Metherlands .	2.0450-2.0590	2.0550-2.0560	0.30-0.28c pm	2.69	0.98-0.93 pm	1.86
Selolom	37.60-37.90	37.80-37.90	3-pm p2r	0.48	6-1 941	0.37
Denmark	6.824-6.87%	6.87-6.875	0.90-1.60are dis	-219	2.25-2.95 ds	-1.61
W. Germany .	1.8140-1.8280	1.8240-1.8250	0.52-0.49pl pm	3.32	1.57-1.52pm	3.39
Portegal	1414-14212	1424-1422	70-120c dis	-8.04	250-320c dis	-8.04
Spain	126.50-127.10	127.00-127.10	30-120c dis	-7.09	120-330: ds	-6.93
Haty	1314-1321	13184-13194	2.80-3.80thre dis	2.85	9.00-11.00dis	-2.88
Norway	6.69%-6.74	6.7312-6.74	3.70-4.20ore dis	-7.05	11_90-12_40dis	-7. <b>23</b> ,
France	6.064-6.093	6.081-6.0914	0.60-0.75c dis	-1.33	1.85-2.15 <b>d</b> s	-1.32
Sweden	6.3112-6.3572	6342635	0.45-0.75ore dis		2.45-2.85 dis	-1.67
Japan	144.10-144.90	144.70-144.80	0.41-0.38y pm		1.22-1.17 pm	3.30
Austria	12.754-12.8312	12.83-12.8312	3.40-3.00gra pm	3.00	9.50-8.50 pm	2.83
Switzerland	1.5040-1.5150	1.5125-1.5135	0.37-0.32c pm	2.74	1.25-1.20 pm	3.24

UPE	Industries	currency.	DENJAN	وة ي عمد	r winer	OCC III
119	M-CII	RRENC	Y IN	TERES	ST R	ITES

Jone 12	Short term	7 Days notice	One Month	Three Montis	Şix Montis	One Year
Sterflog U.S. Dollar Can. Dollar D. Gastder D. Gastder Fr. Franc Italian U.Fe B. Fr. (Fin.) B. Fr. (Con.) D. Wrone	54-64 8-84 54-52 2-24 34-38 9-11 63-67 63-78 94-64 37-38 94-64	9-9% 614-612 8-84 5-14-5-1 2-24 9-84 9-10 631-632 6-14-34 92-9%	84.84 612.71.4 814.85 514.54.4 314.84 914.81 612.61 612.71 912.71 912.71 912.71	812 812 7-74 84-82 54-54 312-314 84-84 97-104 67-7 64-74 312-34 99-94	818 84 72-74 82-84 51-54 34-35 82-84 101-102 74-74 63-74 33-94	84-87 74-711 85-94 35-54 35-4 35-9 104-104 74-75 35-71
A-J PE1	41 5	4174	1 35 41	42.41	46. 43.	A 2 4 7

Long-term Eurodollars: Two years 8-84, per cent; three years 84-84; per cent; four years 84-84, per cent; five years 85-87, per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, peo days' notice.

#### EXCHANGE CROSS RATES

Jame 25	£	\$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C S	B Fr.
£ .	1. 0.613	1,632	2978 1.825	236.3 144.8	9.938 6.090	2.470 1.513	3,355 2,056	2153. 1319.	2.200 1.348	61.75 37.85
DM YEN	0.336 4.233	0.548 6.908	1 1260	79.35 1000.	3.338 42.06	0.830 10.46	1.127 14.20	722.9 9111.	0.739 9.312	20.74 261.4
F Fr. S Fr.	1.006 0.405	1.642 0.661	2.996 1.205	237.7 95.65	10. 4.023	2.486 1.	3.376 1.358	2166. 871.5	2.214 0.891	62.14 25.00
N FL Lira	0.296 0.465	0.486 0.758	0.887 1.383	70.42 109.8	2.962 4.617	0.736 1.148	1. 1.559	641.6 1000.	0.656 1.022	18.41 28.69
C\$ .	0.455 1.619	0.742 2.643	1.353 4.822	107.4 382.6	4.517 16.09	1.123 4.000	1.525 5.433	978.4 3486.	1 3.563	28.07 100.

Yen per 1,000; French Fr per 10: Lira per 1,000; Beigian Fr per 100.

#### FT LONDON INTERBANK FIXING (13.00 a.m. June 15) 3 months U.S. dollars

NEW YORK (Lunchtime)  Prime rate  Broter loan rate  Fed. funds at laterwardon	8.25 Ti 8 Si 6.625 O	ee month		N/A Ford 5.71 Five 6.17 Sevi 6.68 10 y	d Bonds	
June 15	Overnight	One Month	Two Modus	Three Months	Siz Months	Lombard intervention
Frankfort Parls Zurich Amsterdam Tokyo	3.20-3.30 8.3-8.4 7-11 <sub>0</sub> 51 <sub>0</sub> -51 <sub>4</sub> 3.21875 101-111 <sub>4</sub>	3.55-3.65 81-81 <sub>4</sub> 33-4 51-51 <sub>4</sub> 3.65625 107-111 <sub>4</sub>	3.55-3.70	3.55-3.70 8/2-8/2 35-37/2 51-5/2 3.65625 105-111/2	360-3.75 	5.0 7% — —

June 15	Over- night	7 days notice	Month	Three Months	Sux Months	One Year	
Interbook Sterling CDs. Lozal Authority Deposits. Lozal Authority Bonds Discount M'ket Deposits Company Deposits Finance House Deposits Treasury Bills (Bay) Bank Bills (Bay) Dollar CDs SDR Linked Deposits ECU Linked Deposits	916.5	92-9 91- 9  	87-84 87-84 9 9 9-81 87- 88- 84 97- 7.00-57- 61-62	812-85 85-812 85-812 85-812 85-812 85-812 87-95-7-00 62-57-612-611	84-84 84-82 84-84 84-84 84-84 84-6 64-6 64-6	8% 8% 8% 8% 8% 8% 8% 8% 8% 8% 8% 8% 8% 8	_

#### FINANCIAL FUTURES

## Pound depresses gilts

GILT PRICES were sharply weaker in the London International Financial Futures Exchange yesterday. A variety of factors ensured that a slightly weaker trend at the opening gathered momentum as the day progressed so that the September long gilt contract fell to 125-22 at the close down from an opening level of 127-08 and Friday's close of 127-14.

materialise and investors quickly became demoralised. Profit taking therefore gained the ascendency and with the Bank of England seen as being determined to defuse any attempt to push the pound higher, the weaker trend gathered pace. Three-month sterling deposits opened slightly firmer but soon backed off as cash rates edged up a sixteenth of a point. The

Expectations of sterling benefit-ing from overseas demand after Mrs Thatcher's larger than expected majority, failed to

a sixteenth of a point. The September contract retreated from a higher opening of 91.52 to finish at 91.28 down from 91.49 on

US Treasury bonds finished on a firmer note. The dollar's better performance after Friday's mildly encouraging trade and inflation figures encouraged demand so that the bond price for September delivery rose from an opening level of 92-16 to close at 92-23, up from 91-23 on Friday.

Three-month Euro-dollar prices were less active and after opening at 92.61, the September price traded in a seven tick range before closing at 92.62 compared

Latest High Low Prev. 0.6917 0.6928 0.6910 0.6956 0.6973 0.6982 0.6969 0.7011 0.7028 0.7028 0.7028 0.7071 0.7325

0.5579

| Case | Last | Pats | Case |

Puts—Last Aug. Sept. — 0.04 0.13 0.23 0.60 0.85 1.91 2.32 4.48 4.39 8.22 8.57 12.71 13.00 16.60 11.60 7.20 4.20 2.15 Puts—Last July Aug. 0.35 0.35 0.40 0.60 0.70 1.60 2.05 3.15 5.10 6.10 9.20 9.85 June 0.80 0.25 0.20 0.25 0.30 3.90 8.90 1,353 Dec. 0.58 1.30 2.58 4.53 7.20 10.57 14.51 -Last Sept. 2.05 3.10 4.45 7.75 9.75 11.95 14.25

Pres. 93-17 92-13 91-17 90-21 89-28 89-06 88-16 88-02

**CHICAGO** 

10% NOTIONAL SHORT GILT \$200,000 64ths of 100% Close High

Close High Low Prev. 232.20 233.50 230.50 231.70 237.20 238.40 236.00 236.90 volume 1,253 (2,322)

1.0w Prev. 92.88 92.87 92.59 92.48 92.30 92.16 92.04 91.91 91.93 91.73 — 91.34 — 91.31

volume 7.569 (8.901) Close High Low 93-27 93-31 93-31 92-23 93-00 92-10 91-25 — —

**CURRENCY FUTURES** POUND—S (FOREIGN EXCHANGE)

Spot 1-mmin, 3-mmils, 6-mmils, 12-mmils, 1,6320 1,6295 1,6253 1,6209 1,6145 IMM-STERLING Ss per C LIFFE—STERLING £25,000 \$ per £ June 1,6405 1,6403 1,6370 Sept. 1,6272 1,6370 1,6275 Dec. 1,6183 — Extinuated volume 155 (312) Previous tay's open and 1,125 (1,113)

Close High Low Prev 1,6405 1,6403 1,6390 1,6538 1,6227 1,6370 1,6225 1,6479 1,6183 — 1,6446

MONEY RATES

4.30 61-62 — 612-612 — 612-612 N/A 101-1012 101-1012 101-1012

June 15	Over- night.	7 days notice	Month	Three Months	Sux Months	One Year
merbook Sterling CDs. Local Authority Deposits. Local Authority Deposits. Discount M'ket Deposits Company Deposits Deposits Local Bills (Buy) Local Bills (B	. –	92-9 91- 9  	87-84 87-84 84 9 9 9-811 87-811 84-95 64-95 64-57-611-64	812-814 812-814 813-814 814-814 814-814 814-814 814-814 814-814 814-814 814-814 814-814 814-814 814-814	84-84 84-82 84 	87, 814 814 824 9 9 814 814 814 814 814 814 814 814 814 814

market.

Treasury Bills (sell); one-month 8% per cent; three-months 8%

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## **FT-Actuaries** World **Indices**

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> Miss Lorraine Spong **Financial Times Publicity Department** Bracken House 10 Cannon Street **London EC4P 4BY**

## F.WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 15, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; nercial rate; (ch) convertible rate; (fn) financial rate; (cxC) exchange certificate rate; (oc) non con official rate; (sg) selling rate; (c) controlled rate. ilar rates; (T) tourist rate; (Bas) basic rate c) non commercial rate; (nom) nominal; (c

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistae	Afghani	99.20	Ghane	Cedi	261.32	Pagama	Balboa	1.6320
Albania	Lek	9.9368	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.4665
Algeria	Dinar	7. <del>644</del> 8	Greece	Drachma	223.425	Paraguay	Gozrani	{521.76 (10)
Andorra	French Franc	9.9375	Greenland	Danish Krone	11.2150			1202.50
Anonia	l Spanish Peseta Kwanza	207.40 49.347	Granada	E. Caribbean \$ Local Franc	4.42 9.9375	Peru	Inti	(exc(o)25.91 (F) 39.13
Anigua	E. Caribbean \$	44.547 4.42	Gram	U.S. S	1.6320	F64	ITIE	(Fn) 32.40
Argentina	Austral	2.7353			126320	Philippines	Philippine Peso	33.00
Aruba	Florin	2.9376	Guatemala	Quetzal	(F) 4,4222	Pitcaim Islands	(£ Sterling	
Australia	Australian \$	2.2820	Guinea	Franc	556.58 ·		LNew Zealand S	2.7665
Austria	Schilling	20.895	Guinea-Bissau	Peso	1064.05	Poland	Zioty	419.86
Azores	Portuguese Escudo	232.00	Guyana	Guyanese \$	14.7450	Portugal	Escudo U.S. \$	232.00 1.6320
Bahamas	Bahama S	1.6320	Halti	Gourde	B.1600			
Bahrain	Dinar	0.6185	Honderas	Lempira	3.2610	Qater	Qatari Ryal	5.9725
Balearic Islands	Spanish Peseta	207.40	Hong Kong	H.K. \$	12.7485	Reunion Isle de la	French Franc	9.9375
Bangladesh	Taka	50.00	Hungary	Forint.	78.4285	Romania	Leu	(N/C) 16.36
Barbados	Barbados S	3.2824	ce and	icelandic Krona	63.79	Rwanda	Rwanda Franc	130.35
Belgium	Belgian Franc	(cm) 61.75 (fn) 61.95	lodocesia	Indian Ropee	21.00	St. Christopher	E. Caribbean \$	4.42
Belize	B \$	3.2640	r2d	Ruplah Rial	2712.125 118.25	St. Helena	St. Helena £	1.00
Benin	C.F.A. Franc	496.88	160	irael Diese	0.5337	St Lucia	E. Caribbean \$	4.42
Bermuda	Berruwian 5	1.6320	Irish Republic	Puzt	1.1125	St. Pierre	Local Franc	9.9375
Bhutan	Ngultrum	23_00	Israel	Shejcei	2,6280	St. Vincent Samoa American	E. Caribbean \$ U.S. \$	4.42 1.6320
Bolivia	Boliviano	(a) 3.35 <del>59</del>	!taiy	Line	2152.50	San Marino	Italian Lira	2152.50
Botswana	Pula Cruzado	2.7450	hvory Coast	C.F.A. Franc	496.88	São Tomé & Principe	Dobra	56.95
British Virgin Islands	U.S. S	63.3850 1.6320	Jamaica	Jamaican Dollar	8,4245	Saudi Arabia	Saudi Rval	6.1358
Srunel	Brunel \$	3.4600	Japan	Yes	236.25	Senegal	C.F.A. Franc	496.88
Bulgaria	Lev	1.4334	Jordan	Jordanian Dinar	0.5560	Seychelles	S. Rupee	9.40
Burkino Faso	C.F.A. Franc	496.88	Kampochea	Riel	N/A	Sierra Leone	Leone Signapore S	(o) 63.80
Burma	Kyat	10.8865	Kenya	Kenya Shilling	26.63	Sciomon Islands	Soloman Is. \$	3.4600 3.2635
Berund	Burundi Franc	203.50	Kirlbati	Australian \$	2.2820	Somali Republic	Somall Shilling	196.17
Cameroos	C.F.A. Franc	496.88	Korea (North)	Wga	1.5341	South Africa	Rand	(Cm) 3,3048
Canada	Canadian \$	2.2000	Korea (South)	Woo	1344.48		<b>-</b>	l(Fn) 5,5495
Canary Islands	Spanish Peseta	207,40	KUVSIT	Kuwaiti Dicar	0.4588	Spalin	Peseta	207.40
Cape Verde Islands	Cape V. Escudo	145.69	Lass	New Kip	57.12	Spanish ports in North Africa	G	207.40
Cayman Islands	Cayman isles \$	1.3627	Lebanon	Lebanese £	223.11	Sri Lanka	Peseta S.L. Rupee	48.30
Cent. Air. Republic	C.F.A. Franc	496.88	Lesotho	Maloti	3.3048	Sudan Republic	Sudan £	4.0800
Chad	C.F.A. Franc Chilean Peso	496.88 355.38	Liberia	Liberian S Libyan Dinar	1.6320 0.4832	Surinam	S. Guilder	2.9131
China	Renminbi Yuan	6.2010	Liechtenstein	Swiss Franc	0.4632 2.47	Sweetland	Litangeni	3.304B
Colombia	Col. Peso	390.34	Luxembourg	Luxembourg Franc	61.75	Sweden	Swedish Krone	10.36
Comoro Islands	C.F.A. Franc	496.88				Switzerland	Swiss Franc	2.47
Congo (Brazzaville)	C.F.A. Franc	496.88	Macao	Pataca Portuguese Escudo	13.1669 232.00	Syria	Syrian £	(a) 6.4056
Costa Rica	Colon	100.97	Malagasy Republic	M.G. Franc	1086.25	721wan	New Talwan \$	51.225
Curba	Cuban Peso Cypros £	1.3589 0.7890	Malavi	Keacha	3.6850	Tanzania	Tan, Shilling Bahy	102.10 42.00
U) pa us	Chair T	((com) 9.05	Malaysia	Ringgit.	4.0913	Togo Republic	C.F.A. Franz	496.88
Czechoslovakia	Koruna	nc 15.75	Maidive Islands	Ruflyra	11_4240	Tooga Islands	Palanga	2.2820
		(m 15.21	Mali Republic Malta	C.F.A. Franc	496.88 0.5665	Tritudad & Tobago	Trinidad & Tob. \$	5.8752
	<b>-</b>		Martinique	Maitese £ Local Franc	0.3003 9,9375	Tunisia	Tonisian Dinar	1.3824 (9)
Denmark	Danish Kruser Dilbouti Franc	11.2150 287.00	Macritania	Ouguiya	122.45	1 Urkey	Turkish Lira	1370.2 <del>3</del>
Deminica	E. Caribbean S	4.42	Mauritius	Mauritian Rupee	20.70	Torks & Calcos Islands Tuvalu	U.S. \$ Australiae S	1.6320 2.2820
Dominican Republic	Deminican Peso	5,8605	Mexico	Mexican Peso	£2124.38	Uganta	Uganda Shililing	2.202U 96.00
					l2117.87	United States	U.S. \$	1_6390
Ecuador	Sucre	(6) 238.87 (F) 309.80	Miqueion	Local Franc	9.9375 9.9375	Uniquay	Uniquay Peso	354.63
Egypt	Emmilian C	3.6170(9)	Morgolia	French Franc	9.9373 5.4762	United Arab Emirates .	U.A.E. Dirham	5.0090
F1 Sahrador	Egyptian £ Colon	8.1525	Montserral	Tugrik E. Ca <del>rl</del> bbean \$	4.42	USSR	Rouble	1.0348
Equatorial Guinea	C.F.A. Franc	496.88	Morecco	Dirham	13.50 (sp)	Varecette	Vate	173.00
Ethiopia	Ethiopian Birr	3.41	Mozambique	Metical	330.67	Vatican	Italian Lira	2152.50
Falkland Islands	Falidand Isles £	1.0	Namibla	S.A. Rand	3.3048			(4) 7.02
Farce Islands	Danish Kroner	11.2150	Nauru Islands	Australian S	2.2820	Venezoela	Bollyar	(5) 12.24
FIJI Islands	FIB S	1.7450	Negal	Nepalese Rupee	34.38	Vietnam	Done	(6) 48,67 (6) 130,96
Finland	Markka	7.2198	Netherlands	Guilder	3.3550	Virgin Islands U.S	U.S. S	1.6320 1.6320
France	Franc	9.9375	Notherland Antilles	Antillian Guilder	2.9376	Western Sampa	Tala	
French C'ty in Africa	C.F.A. Franc	496.88	New Zealand	N.Z. \$	2.7665			(A) 3.4320
French Pacific Islands .	Local Franc	9,9375 180,00	Nicaragua	Cordoba	3587_10	Yemen (North)	Ryaj	(A) 16.80 (sg)
F 1 CHAN F 04 NG 1518005 .	C.F.P. Franc	100,100	Niger Republic	C.F.A. Franc	496.88	Yemen (South)	S. Yemen Dinar	0.5615
Gabon	C.F.A. Franc	496.68	Norman	Naira	7.5610 10.9950	Yugoslavia	New Y. Dinar	1046.71
Gamble	Dalasi	11.00	Norway	Norwegian Krone		Zaire Republic	Zakre	192.50
Germany (East)	Ostmark	2,9775	Oman Sultanate of	Riai Omani	0.6315	Zarobia	Kwacha	12.85 (17)
Germany (West)	Deutsche Mark	2.9775	Pakistan	Pakistan Rupee	28.50	ZImbabwe	Zimbabwe \$	2.71

†Rate is the transfer market (controlled). ‡† Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for known imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banksote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (16) Bolivia, New Currency introduced (Boliviano, worth Im Pesos) Jan 1 1967. (17) Zambia Kwacha, set at 8 Kwacha to the Dollar, May 5 1987.



EXPORT CREDIT INSURANCE. 01739 9939.

## WORLD MARKETS

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

RATIONAL AND REGIONAL MARKETS	Τ	MON	L SKUL YAD	5 1987		FRIDAY JUNE 12 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
per grouping  Australia (94)  Austria (16)  Belgium (47)  Canada (127)  Denmark (39)  France (122)  West Germany (90)  Hong Kong (45)  Ireland (14)  Japan (458)  Malaysia (36)  Mexico (14)  Netherland (38)  New Zealand (27)  Norway (24)  Singapore (27)  South Africa (61)  Spain (43)  Switzerland (51)  United Kingdom (335)	136.93 86.28 116.29 126.79 119.98 129.95 119.08 128.10 157.33 166.64 117.83 98.94 140.37 114.72 114.72 114.72 114.72 114.72 114.72 114.72 114.72 1150.27	-0.6 -1.4 -0.8 -0.3 -0.4 +0.7 +0.0 +0.0 +0.0 +0.0 +0.0 +0.0 +0.0	124.40 78.38 105.58 115.18 116.99 99.85 83.53 108.18 116.37 89.99 142.93 151.38 220.22 107.04 89.88 125.75 127.52 145.12 104.22 103.82 84.04 136.51 112.79	127.04 81.76 108.77 123.12 112.14 105.00 87.22 119.40 123.04 97.58 143.96 160.78 345.21 110.54 88.68 126.59 137.07 118.40 110.42 107.39 86.78 136.51	3.08 2.32 4.42 2.39 2.46 2.66 3.67 1.86 0.46 2.37 0.64 4.03 3.03 3.01 1.78 3.70 2.17 1.99 3.19 2.19	137,74 87,49 117,17 127,15 120,45 120,45 120,45 129,45 139,45 159,45 159,45 159,27 236,49 117,52 138,41 141,73 114,73 114,73 120,68 123,52	123.62 78.52 105.16 114.11 108.10 97.92 81.89 106.90 114.90 89.25 143.10 121.23 105.50 88.77 124.21 127.32 148.51 102.97 102.58 82.57 135.23 110.85	127.66 82.05 108.65 123.33 111.40 1103.51 85,94 119.40 121.98 97.44 144.94 146.224 336.26 109.40 88.65 125.35 120.59 109.40 88.65 125.35 120.59 109.40 88.65 125.35 120.59 109.40 88.55 133.13 120.59	140,95 101,62 123,62 136,17 124,10 121,82 100,33 119,12 131,86 112,11 161,28 172,55 242,41 120,14 100,59 140,47 186,74 121,31 124,68 104,06 150,68 124,16	99.92 85.94 96.19 100.00 98.18 98.39 84.00 96.89 99.50 98.24 99.72 99.65 83.73 100.00 99.29 100.00 90.85 92.65 100.00	89.11 84.89 77.87 98.96 97.83 80.86 87.42 70.32 84.33 80.13 80.13 80.13 90.35 66.94 90.35 66.94 90.35 88.92 82.49 82.49 82.49 82.49
USA (593)  Europe (928) Pacific Basin (687)  Euro Pacific (1615)  North America (720)  World Ex. US (1817)  World Ex. UK (2075)  World Ex. So. Af. (2349)  World Ex. Japan (1952)	120.67 155.09 141.36 124.30 141.11	+0.0 -1.3 -0.8 +0.5 -0.8 -0.4 -0.3 +0.2	109.63 140.89 128.42 112.92 128.19 120.75 122.01 112.29	112-53 142-33 130.45 124-12 130.16 127-26 128.17 120.19	2.87 0.62 1.39 2.89 1.44 1.84 1.96 2.89	120.64 157.09 142.55 123.71 142.31 133.41 134.76 123.31	108.27 140.98 127.93 111.02 127.71 119.73 120.94 110.67	111.41 143.27. 130.57 123.53 130.16 127.24 128.00 119.48	121.61 158.64 143.34 124.60 143.09 133.55 134.76 123.61	99.78 100.00 100.00 100.00 100.00 100.00 100.00	90.22 79.16 83.53 102.59 83.93 90.69 91.43 97.14
The World Index (2410)	134.47	-0.4	122.16	128.12	1.97	134.95	121.11	127.97	134.95	100.00	71.31

	88	Fet	87	No	87	Aus		
Stock \$449.50	188	Vol.	Last	Vol.	Last	Val.	s t	Serie
5447.3U	= 20	=	27.50 18.50A 13 16.50	29 366 91 123	26.50 14.50 7 4.10	38 167 144 50	\$440 \$460 \$480 \$500 \$440	SOLD C SOLD C SOLD C SOLD P
	c 87	Dec	87	Se	n 87		<u> </u>	40LD F
S754 -	145 45	10 26		111	60A 50	16 51	\$700 \$1000 \$800	SILVER C SILVER C SILVER P
	g <b>8</b> 7	Au	67	Jo	n <b>8</b> 7			J.C
FL205.56	10.50 6.80 3.60 2 2.40	4-15125	5.80 2.70 1 1	120 39 120 5 33	10.20 5.20 1 0.15 0.35 0.40	14 62 145 60 820 1053	FI.195 FI.200 FI.205 FI.210 FI.200 FI.205	VFIC VFIC VFIC VFIC VFIP VFIP
	r 88	Ma	c 87		p 87		TILEAU	WFI P
F1.205.56	11.90 9.50 6.90 3.80 3.50 6.80	12 14 16 10 145	8 6.10 2.10 3 7.50A 31	10 14 — 16 210 — 22	7 4.108 2.50 1 1.80 3 5.40 29.50	1 22 133 13 10 10	FL195 FL200 FL205 FL210 FL215 FL190 FL196 FL205 FL235	SA C SA C SA C SA C SA C SA P SA P SA P SA P SA P
	ın 88	Ja	et 87	1 0	Jaly 87	т.		

		Jak	y 87	0c	87	191	88	
AGN 6	FI.520	89	0.50	48	3.50 20 3.20 3.40 2.20	4 1	90	F1457.50
ABN C ABN P	51440	172 30 12 20 16 25 10 20	03.8	200	20	36	26 5.20	
AEGON C	F1.460 F1.90	70	i	l Tī l	3.20	3	5.20	F186_20
AEGON P	FLES	12 I	1.50	105	3.40	- 1	_ i	
ALGON P	FI.90	20 1	1	- S	2.20	_ '	_ '	F192_50
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AHOLD P	F1.95.50	25	3.50	I . <del></del> I	) <del>-</del> 1	· =	_=	FI.136.90
AKZO C	FI 140 1	1043	2.70	365 23	1	69	9.90	FL60.80
AKZO C AMEV C	FI.65	22 25 25	0.50	23	1.80	_		Lengan
AMEV P	FI.65	12	4.50		=	-	Ξ	F1.71.20
AMRO C	F1.80 F1.70	152	0.40		7702	╦	3.60	LP177-EA
AMRO P	F1.70	35	1.40	34 102 322 22 264	2.90	26 25	3.00	FL49.70
ELSEVIER C	FI.50 FI.50	370	1.30 1.80	1 322	ا مدا	1 2	253	1077.10
ELSEVIER P	FI.50	136	เหต็	-44	3.50 2.50	1 43 1	3.50 3.80	FI.43.10
GIST-BROC C	FL45	777	0.5	- COT		۳ ا	7-72	12
GIST-BROC P	F1.40 F1.170	- 55	0.50 3.90	1 5	1 750	63	l zō	F1.168
HEINEKEN C	FI_170	1 #	1 ~~	51 52 285	7.50 7.50 1.70	i —	I —	1 "
HEINEKEN P HOOGOVENS C	F1.45	1 4	0.60	285	1.70	l 7	3.70	FL41.80
HOOGOVENS P	F1.40	45	l Tri	15	2.50 3.70	13	3	<b>"</b>
HORPOACUS L	F1.50	R32	250	BOĪ	3.70	266	4.50	FL50.80
KLM L	FIAS	55	0.40	801 502	1.40	31	4.50 1.70	
KLM C KLM P NED. LLOYD C	FL150 F1130	35	0.40 0.70	1 6	2.20	31 5 11	1 4	£1733
NED. LLYOD P	FI.130	73	12	翠	5	] 11	7.20A	
MAT. NED. C	F1.70	30136 5947217357452552732652844	0.80	297	2.80	105	1 2	Flag.50
NAT. NED. P	E1 45	65	0.90	82	2.40	47	3	FL48.10
PHILIPS C	FI.50 FI.50 FI.260	928	0.80	197	2.50	235	3.50 4.10 15.80	t trab-m
PHILIPS P	FI.50	144	260	307 300	3.40	82	1.2.00	F1.264.50
ROYAL DUTCH C	FI.260	963 267	} <u> </u>	300	1 13	177	12.60	FI.200-30
ROYAL DUTCH P	FI.270	267	7.10 1.40	22	12 12.50 2.408	۱ 🚓	14 4.20	FI_105.20
ROBECO C	FI.105	47	1.40	8	38,708	1 63	1 "6"	FI.692.30
UNILEVER C	FL680	897	26 8.10	l 끯	30./00	85 17 8 20 12 100	51 24	11.2
UNILEVER P	F1.680	224	<u> </u>	<u>, 83</u>	<u> </u>	1 200		
	E IN COM	DACTE.	4 757					
TOTAL VOLUM	E IN COR	CMC 13.	ادبره					

FT CROSSWORD PUZZLE No 6,353

- **ACROSS** 1 The Windmill used to have one constant drain on resources (4-4, 4) 10 Arthur showed up by acci-
- payment is due (5)

  13 %in in newspaper reports of 17 Peer's SOS brew some coffee (8)

  15 Accept less variety perform.

  19 Gave in indiscriminately to first Norman or Plantagenet
- replacing lawn (10)

  22 Sleeping draught—or protection against it? (8)

  24 Heat Sunday joint in pan (5)

  25 Queen Olivia cooked this dish (7)

  27 Saw round trip by heat
- dish (7)
  27 Saw round trip by boat as occasion for drinking (7)
  28 Dunstan gets involved and secures the details (4, 3, 5)
- BOWN

  2 Against current rage for something bloodthirsty (7)

  3 Put down as an example in
- report (8)

  4 Mine has hard core (4)

  5 Find the land of perpetual youth not once, but twice (5-5)
- 6 Means it can be played by

- 7 Split payment? It's about time and will provoke a reaction (7) 8 Overland the line is led by a
- resources (4-4, 4)

  10 Arthur showed up by accident here (7)

  11 Victoria and Albert award for Rolling Stone (7)

  12 Part of the following month's payment is due (5)

  13 Overland the line is ted by a disagreeable foreign gentleman (6, 7)

  14 Stopped at an exhibitor's display yet? (2, 1, 10)

  15 Mark Antony's tongue had a disease (10)

  16 Pager's SOS have some cof
  - first Norman or Plantagenet
- ance (10)

  16 Unstable mount secured by rounded stake (4)

  18 Hearing sounds as spoken (4)

  20 Drawback with vegetables—replacing lawn (10)

  21 First person to be firm with a social worker (7)

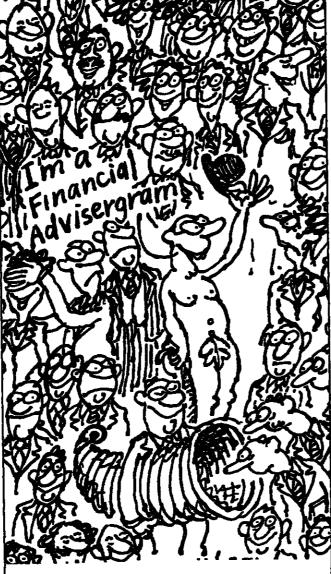
  22 Fish associated with old interfering woman (5)

  23 Props on the grass—a set-



#### **BASE LENDING RATES** City Merchants Bank...... Citylesiale Bank ....... Allied Arab Bk Ltd ... Morwich Gest. Trest...... PK Figures, Intl (UIO ...... 16 Comm. Bk. H. East... Allied Irish Bank. Provincial Trest Ltd...... R. Rapbael & Sons ...... Connectated Cred. American Exp. 8k... Rocal Bit of Scotland..... AMZ Banking Group Dencas Laurie .. Ronal Trust Bask .... Avenciates Can Corn...... Exercer Transit Ltd. . Financial & Gen. Sec... First Nat. Fig. Comp....... 10 LIDT Mortsage Exp.\_\_\_\_ 911.1 Farst Nat. Sec. Ltd ...... 10 laited Bk of Karwalt..... Bank Credit & Comm Robert Fraser & Ptrs...... 10 Unity Trest PLC. Scrieggers Bank ..... HFC Trad & Sarings..... Hambro Bank ...... Heritable & Gen. Tst. ... b Members of the Accepting foncies Committee. + 7-day legacits 4%. Savewise 6.66% for Tee-2.500+ at 3 months autice 7.97%. At call when 10,000+ remains deposited. Call deposits 21,000 and own 12% gross 1 Mortgage base rate. Mortgage 11.25%. demark Tot List ... leneficial Trest Ltd..... C. Hoart & Co... Hengkang & Shangh ..... Lioyda Bank...... Sent Six of Mid East... Meghraj & Sons Lid...... Midland Bank.....

o Morsan Grentell .



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-FINANCIAL ADVISER -

## Financial Times Tuesday June 16 1987 **AUTHORISED** HIP 044 1094 1094 125.7 23.7 354.04 218.5 31.24 112.9 121.4 111.4 251.5 167.9 **UNIT TRUSTS** 0345 71,7373 part Unit Trest Mgnet Lie(2) in Hse, Portrain Sq. WIN OJR 1902 197.1 A<u>Etma</u> Upit Trests Ltd(a)(b)(c) 401 St.John St. London EC1V 4QE Deskin 412.9 412.9 20.0 17.2 91.1 74.2 74.2 +0.2 3.94 +0.1 0.96 +0.1 0.96 +0.4 0.97 +0.4 2.23 460.54 201.5 275.3 77.5 74.7 54.7 15 100 #05 773393 +05 00 +05 00 +05 00 +07 33 +12 20 +12 20 +12 20 +03 45 +01 05 +01 12 200 MAR A 200 MA naipers (a) (c)(g) nai 880 (1,623 1212 deration Funds Magt Ltd (a) cery Lane, WC2A THE 01-242 0282 und\_\_\_\_\_\_\_\_349.7 348.1 \_\_\_\_\_\_\_ 359 50 Chancery Lane, WCZA THE Grant Pard. 1941.7 368.11 Carathil Unit Trust Means: Lid PO Box 136, Beckenton, Kort BR3 AXR. UK Epoth Inc. 180.0 18.1 191.1 Inc. 180.0 180 Baille Gifford & Co Ltd 15 Ltd (01-26)3492 15.0 1.33 10.0 1.33 10.0 1.44 20.5 1.44 20.5 1.49 20.7 1. Eagle Star Unit Mages Lid Both Road, Chelerham G53 7L0 Both Road, Chelerham G54 7L0 Both Road, Chelerham G55 7L0 Both Road +13 430 +18 130 +18 305 +13 424 +13 424 +14 036 +14 036 +14 036 +13 067 +31 122 01.473 8011 - 2.46 - 2.47 - 2.47 - 2.47 - 3.07 - 3.07 - 3.07 - 3.07 217 4m 286.15 271.16.27 271.16.27 26.27 26.27 26.27 26.27 27.40 126.26 127.40 127.4 118.3 263.7 109.4 82.2 20.7 234.9 46.3 46.3 163.7 120.2

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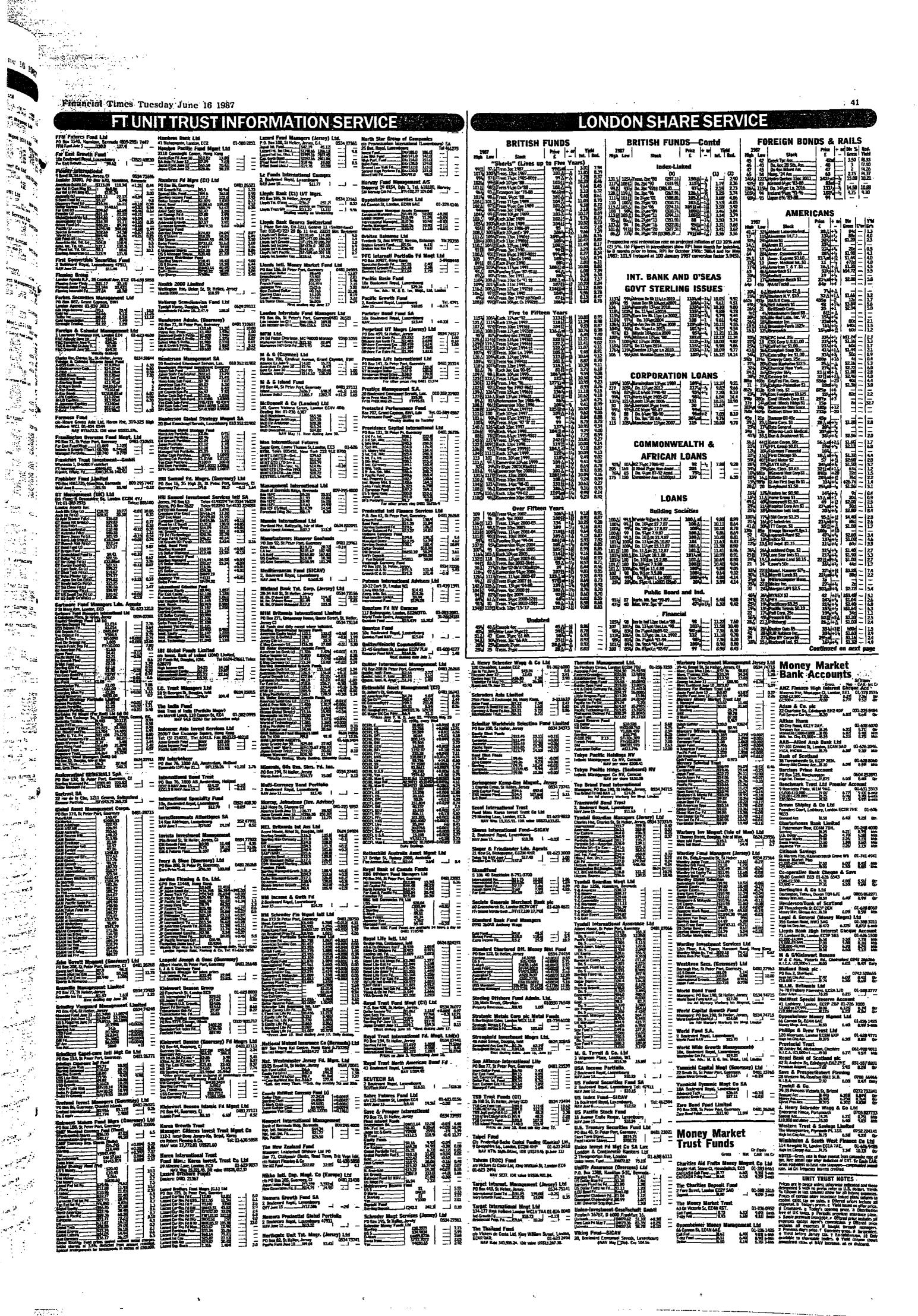
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Fox Recovery 12.4 + 0.4 - Interface to 10.11.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1	Row, London ECA 02-208-4000 1516-77 17-85 0.10 164 597-33 102-24 0.49 the Fond Mingt. (C.I.) Ltd
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TSS Selected Ones   17.2   +0.2	557,9116 316 57,9116 +-9.02 7.52 FF-102-1 +-9.02 7.52 27,5 En20 27 +-9.01 5.49 11.03
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Provi Acc American 1135 173 430 — Consultante Manager 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	00462-93 66-10 0460-91 65-00 004072-81 74-65 estiment Trust Ce Ltd ong, Yougdungno-lu, Setul, Kuree HAV May 21. Won 26-410 (USSE0.75) HAV May 22. Won 16-90 (USSE0.75)
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Proc land   1373   44.7   41.1   Equivient   150.5   657.2   47.2   Protect Personal Services   157.2   157.9   41.3   Protect Description   157.5   157.9   41.5   Protect Description   157.5   157.9   41.5   Protect Description   157.5	tige Fand SA  www.Lacemburg Tel 47971  4 Footbas     fo (Channel Islands) Lbd.  Peter Fort, Guermey 0481 710911
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42	LONDONSH	ARE SERVICE	
140   140	BUILDING, TIMBER, ROADS—CONT.  ***CONT.**** **ROADS—CONT.*** **ROADS—CONT.*** **ROADS—CONT.*** **ROADS—CONT.*** **ROADS—CONT.*** **ROADS—CONT.** **ROADS—CONT.	ENGINEERING—Continued    Note   Continued   Continued	Section 1985   1985
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1.7

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Jun 11 Jun 12 Jun 22 Jun 25 Jun 26 July 6 Jun 29 July 9 July 10 July 20

stood out, but British Petroleum closed quietly. Among the other international favourites, Unilever

strengthened ahead of the share split due shortly. Saalchi & Saatchi, under a cloud since critcism of their handling of the Thatcher Government's election

campaign, moved up on US buying after reports that the group plans

to reshape its US operations-a

The major clearing Banks

moved higher having extended a cautious welcome to details of

Brazil's economic package in which the country identified an

external financing need of some £4.3bn for 1987. Midland and

Lloyds, the most exposed British banks which are expected to

increase provisions against Third World debts when their respec-

tive half-year results are pub-

lished at the end of July, scored the smartest gains. Markets mak-ers also considered that the sector

as a whole was undervalued. Sus-

as a whole was undervalued. Sustained demand boosted Lloyds 13 to 578p and Midland 20 to 628p. NatWest were up 13 at 703p in sympathy, but Barclays, having performed strongly on Friday, eased back to close a couple of pence off at 578p.

Merchant Banks made useful

stocks. Hill

progress on the prospect of further lucrative business from

takeover developments among major indstrial stocks. Hil

Samuel rose 11 to 474p and Kleinwort Bensen gained 31 to 519p.

Brown Shipley, however, shed 10 to 548p following the preliminary

Demand for Composite Insurances revived strongly. Various reasons were cited for the sector's

underperformance, but market makers reported a general

while Legal and General firmed 10

move welcomed by the City.

The UK securities markets presented a more irregular pattern yesterday when weakness in the pound damped down the City's hopes for renewed foreign buying of British Government bonds and equities. Nervous selling by the bond traders brought a sharp set-back in gilt-edged stocks. but equities retained their confiforeign interest, and moved up to new peaks. The FT-SE index climbed above 2300 for the first time as the new equity trading

The dip in sterling reduced the likelihood of an early cut in UK bank base rates, and quickly prompted profit-taking in gilts by the professional traders. Falls of more than 11/2 points took prices back to well below election-eve

But the pound's weakness did not mean a complete absence of foreign interest. Some Continental demand was reported, although the Japanese team stayed on the sidelines.

In equities, UK investors remained buoyant but the absence of the foreign buyers threw the weight of interest towards domestically-orientated issues. Privatisation issues continued active, with British Gas and British Telecom busy shead of their respective trading statements. Profits news from British Airports Authority set the scene for the impending privatisation

The FT-SE 100 index closed 18.1 up at 2307.6, a new closing peak, after an erratic session which saw an initial gain cut back before the market rebounded to the day's peak of 2310.6. The FT Ordinary gained 18.7 to 1786.6, also a new

Financial issues again provided the strongest sector in the market. as investors took the view that further privatisation moves, especially of pension schemes, will further stimulate the securities sector. Bank stocks, with results to 369p.
due shortly, responded to favourable press comment on plans to tated sectors. Breweries failed to down their Third World

oans. the pre-weekend levels. Dealers
The easier trend of sterling reported that substantial bull the easier trend of stering positions were slow to unwind the major exporting stocks, where with the upshot that Bass were the major exporting stocks, where Imperial Chemical Industries, Jaguar and BAT Industries stood

But consumer stocks also attracted buyers, despite the more tannouncement of a sharp dip in timer. UK retail sales last month. Among the food retailers, it was takeover speculation that fired investors' enthusiasm. Sharp gains in the onventional stores were featured woodrow, 464p, both currently nee again by GUS.

London made only a half- lar gains. John Mowlem, on the conventional stores were featured once again by GUS.

hearted response to the early back of a generally firm Construc-strength of Wall Street. Shell tion sector. advanced 26 to 474p in

## Easier sterling prompts fall in bonds but equities

advance to new peak levels

	.kme	June	June	June	June	Year	19	B7	Since Co	mpilation
	15	12	11	10	d Ame	390	High	LOW	High	Low
Government Secs	92.04	92.70	92.64	92.70	92.75	91.31	93,32 (8/5)	84.49	127.4	49.18 (3/1/75)
Fixed Interest	99.12	98.79	98.84	98.42	98.31	96.84	99.12 (15/6)	90.23 (2/1)	105.4	50.53 (3/1/75)
Ordinary 🎔	1786.6	1767.9	1740.8	1,752.2	1,761.3	1,318.6	1,786.6 (15/6)	1,320.2 (2/1)	1,786.6 (15/6/87)	49.4 (26/6/40)
Gold Mines	388.1	409.3	399.2	398.8	388.7	196.2	485.0 (1444)	288.2 (19/2)	734.7 (15/2/83)_	43.5 (26/10/71)
Ord. Div. Yield	3,20	3.24	3.28	3.25	3.23	4.15	S.E. ACTIVITY			
Earnings Yld,%(full)	7,74	7.81	7.91	7.83	7.79	10.01	Inc	fices	June 12	June 11
P/E Ratio (net) (*)	15.93	15.79	15.58	15.76	15.B3	12.15	Gilt Edged	Bargalas	216.0	152.7
SEAQ Bargains (5 pm)	58,291	69,647	46,011	52,856	50,389			,3ins		362.1 3795.1
Equity Turnover (£m)	_	2362.83	1877.58	1637.50	1157.21	469.69	5-Day Aver	e	4//3.7	3173.1
Equity Bargains		74,477	55,886	59.187	51.849	23,951	Gift Edged	Bargains	164.0	144.8
Shares Traded (ml)	,	956.2	652.9	607.2	555.0	222.7	Equity Bard Equity Valu		384.2 3256.7	348.7 2769.3
♥ Opening	10 a.m.	īı	a.m.	Noon	1 5	p.m.	2 p.m	. [3	p.m.	4 p.m.
	1771.1		77.0	1777.6		781.1	1783.		786.5	1785.2
Day's High 178	7.1. Da	y's Low ]	L770.6. B	ask 100 Go Activity 1	wt. Secs 15: 974. *Nila	/10/26, Fiz	ed int. 1928,	Ordinary 1/7	7/35, Gold M	ines 1 <i>21</i> 9/5:

a market short of stock. Moving against the trend, Costain drifted off to close 5 cheaper at 588p. Elsewhere, Y. J. Lovell put on 11 to 262p awaiting today's half-timer, while Anglia Secure Homes advanced 30 to 495p in reply to newsletter comment. Meyer International featured the Timber sector, rising 10 to 429p ahead of today's preliminary figures. Wig-gins picked up sharply on favour-able comment to touch 300p prior to closing 7 higher on balance at

upward correction in prices with yield considerations one of the 275p.
ICI attracted good support on currency influences and closed 14 main reasons for buyers retur-ning. Commercial Union were higher at £14½. Elsewhere in the Chemical sector. Allied Colloids rose 17½ to 304½p following reports of a broker's favourable circular. Bid speculation boosted favoured on this score and rose 10 to 348p. Royals were 29 higher at Demand on hopes of increased pension business soon uncovered Hickson International 14 to 720p and Anchor Chemical 19 to 405p. stock shortages among Life issues. Prudential moved up 3/8 to £10%, Yorkshire were in demand at

238p, up 14.

The old chestnut that a reduction in interest rates would be beneficial for consumer expenditure was given another run and gave a predictable lift to many high street retailers. Initial confushow appreciable alteration from sion over the provisional retail sales figures for May proved to be a minor biccup. Second line coununchanged at £10¼, while Allied-Lyons finished 2 off at 445p. ters were also in demand, albeit selectively. The continuation of Interest among regionals was also muted. J. A. Devenish put on 6 last Friday's takeover speculation lifted Bentalls, the department store group, another 12 up at 167p. Newsletter comment aided Blanmore to 263p ahead of today's haif-Leading Buildings made a selectively firm showing. George Wim-pey were in demand at 259p, up 10, chards, 11 up at 158p, while speculative interest resumed in while AMEC, 404p, and Taylor Acsis Jewellery, 51p, and Helene of London, 50p, up 4 apiece. Alexon advanced 20 to 368 in response to the double full-year figures; the pre-tax figure of £6.9m came in some £500,000 ahead of

market estimates. Dealings in the good at 599p.

ERA was suspended at 151p pending an announcement, believed 185p as weekend comment stimuto be concerning a sizeable acquisition. Trading was also halted in Gee-Rosen, 5 higher on

the session at 63p. British Telecom relatively active market (some 9m shares were traded) ahead of inevitably, was mentioned as a Thursday's preliminary statement likely suitor. but settled 3 cheaper on the day at Manufacturers also closed but settled 3 cheaper on the day at 324½p. Other leading Electrical issues were also inclined a shade easier. BICC, however, rose 10 to 356p on the proposed acquisition of Derby based housebuilder, David M. Adams Developments in S. & W. Berickerd is imminorate. of Derby based housebuilder. David M. Adams Developments for £9.45m.

Among Engineers, Ransome Sims jumped 24 to 307p on news that the fast expanding group F. H. Tompkins has increased its stake in the company to 5.85 pr cent. J. Saville Gordon rose 31/2 to 96p on the acquisition of a freehold investment property for just over £1½m. IMI were favoured at 25412p, up 9, while takeover hopes revived in Manganese Bronze which put on 25 to 245p and speculative demand left. S. W. Wood 12 to the good at 105p. Foods began the new Account in an encouraging fashion, although gains, which often extended into

double-figures, were occasionally attributable to stock shortage. Retailers highlighted Mr Jimmy Gulliver's Argyll Group, which put on 8 to 495p; the group is sche-duled to reveal full year figures on June 25 and brokers Greenwell Montagu expect pre-tax profits of around £82.5m. Favourable comment prompted revived takeover chatter in Kwik Save, finally 8 up at 355p, while option activity directed attention towards Tesce, 13 to

FINANCIAL TIMES

IS PROPOSING TO PUBLISH

A SURVEY ON

**URBAN** 

RENEWAL

**PUBLICATION DATE: OCTOBER 6** 

**COPY DATE: SEPTEMBER 22** 

3 The role of the private sector

4 The major conurbations

5 The political background

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

1 Introduction

2 The mechanisms

6 Policy alternatives

7 Architecture

Times representative.

185p as weekend comment stimu-lated revived hopes that the group is preparing to hive off the MFI side; speculation was also grow-ing last night that a full bid for the entire group might be in the offing. Hanson Trust, almost

in S. & W. Berisford is imminent; Berisford, scheduled to announce interim results on Thursday, put on 7 to 356p. Freshbake improv to 176p as BZW rated the shares as a "buy" in the wake of the betterthan-anticipated full-year results. Associated Fisheries, buoyed by a Press mention and a recom mendation from brokers Gilbert Eliott, spurted 46 to 246p. John J. Lees, the Scottish confectionery group, rose 67 more to 315p on further consideration of the

disclosable stake held by Northumbrian Fine Foods. Beecham traded on a quieter hands) but helped by a recom-mendation from Nomura Research Institute improved 8 further to 568p. Dr Banerji of Nomura points out that the curadvanced 18 to 218p. rent rating does not adequately reflect the potential of Beecham's Press comment highlighting the new drugs, in particular the heart possibility of further bid activity within the sector coupled with drug Eminase. He also expects the announcement of a stream of developments from Beecham which, along with a stronger

lent annual results. Pilkington made further progress to close 22½ higher at 930p. Reed international advanced 26 to 485p as the company announced the sale of its paint and doit yourself division to Williams Holdings for approximately £285m. Williams Holdings is financing the acquisition by an issue of 36,305,733 new Ordinary shares at 785p per share. The purchase is subject to shareholders' approval and dealings in Williams Holdings

performance from the Consumer

Product Division, should correct

the recent underperformance. Still reflecting last week's excel-

Ribardo advanced 22 to 178b amid a revival of bid hopes, while Associated British Ports, responding to an article on the company in the Financial Times, improved a similar amount to 607p. Revived take over speculation left Bridon 13 to the good at 230p. while acquisition news prompted a gain of 10 to 253p in Task Force. Smith and Nephew, the subject of a BZW buy recommendation, advanced 61/2 to 1811/2p.

Marina Developments, last week's high-flyer following a consortium bid for the company, attracted fresh demand on asset injection hopes and rose 21 more to 403p. Fairline Boats gained 64 to 421p following a newsletter recommendation.

Motor sectors continued to provide a host of noteworthy features.

Jaguar attracted renewed international demand and put on 11 more to 550p. Components continued to highlight Lucas, another 10 up at 672p amid persistent reorganisation talk, while demand was also evident for recent speculative favourite Airflow Streamlines, also 10 up at 143p. Press comment directed fresh attention to Distrinote (some 2.6m shares changed butors. Evans Halshaw,

**NEW HIGHS AND LOWS FOR 1987** 

NEW HIGHS (487)
CORPORATION LOAMS (1), LOAMS
(1), AMERICANS (5), CAMADIANS (1),
BANKS (14), BREWERS (10),
BUILDINGS (27), CHEMICALS (20),
STORES (22), ELECTRICALS (20),
ENGINEERING (23), FOODS (18),
HOTELS (5), INDUSTRIALS (39),
HOSURANCE (3), LEISURE (8),
MOTORS (9), NEWSPAPERS (6), NEW LOWS (8)

OILS (9), MINES (2), THIRD MARKET

FINANCIAL TIMES CONFERENCES

**Telecommunications** ; and the European Business Market

7 & 8 July, 1987 Hotel Inter.Continental London

How far should companies aim to meet their communications needs from their own resources, and how far should they rely on outside suppliers?

How should communications and information systems be integrated with companies' mainstream business activities?

 How are regulatory policies likely to develop in Britain and the rest of Western

What are the prospects for agreement on common European telecommunications standards?

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example, hardened if to 152p.
Reflecting the current interest in Publishers. A and C Black moved shead strongly with the aid of press mention to close 65 higher at 480p. Pentos gained 9 to 159p, while Associated Book, awaiting further developments, advanced 25 to 590p. EMAP, preliminary figures scheduled for today.

hopes of lower interest rates ompted renewed demand for Property issues. Land Securities Deep Levels stood out with signifi-were outstanding at 553p, up 17. cant losses in dollar terms among while MEPC moved up 121/2 to 508pxd. Hammerson A rose 35 to picture was poor throughout the 595p, while Slough Estates, 285 p. range. At 388.1. the FT Gold and British Land, 285p, both gained 5. Secondary issues also displayed numerous firm features. Helical Bar, boosted by newsletter comment, put on 18 to 265p, while Mountview, prelimin-ary figures due tomorrow, rose 30

Courtaulds followed the trend in the leaders, rising 8 to 471p in a volume of 2m shares. Elsewhere in the Textile sector, Sekers were

noteworthy for a gain of 15 at 191p. the rise partly reflecting traditional option demand. Drummot aslo stood out with a gain of 15 at 228p while Kingsley and Forester Grand 6 to 72p following the announcement of the acquisition of Bolton based Townsend Cycles

Energy stocks featured British Gas which firmed 41/2 to 1951/2. after 196p, ahead of tomorrow's preliminary figures. Shell attracted further support at £13%, figures.

The South African gold share sector was flat yesterday, beneath the pressures of a weakening bullion price in the face of a strong US dollar. Vaal Reefs and Western the major producer stocks, but the Shares index fell 21.2.

Traders commented that, while there were sellers from all the market sectors, the share price losses chiefly reflected the abs ence of buyers. Significantly, there was no response from the shares to an attempted, if eventually unsuccessful, rally in the gold price. Firmness in New York did not encompass the mining

TRADING VOLUME IN MAJOR STOCKS

ASDA-MEL. Argyll Group ....... Assoc. Brit. Foods ... EAT ..... MEPC Marks & Spncr Midfand Bank Marwest Bank P & C.
Pilkington Bros.
Pilkssey
Prudential.
Rank Org.
RYM.
Reckitt & Col
Rediand
Reed Intl.
Reuters --+3 +41<sub>2</sub> +1<sub>2</sub> Rowntree Mac ...... Ryl Bank Scotland ... Royal Insurance ..... STC ..... Saatchi & Saatchi ... Scott & Newcastle . +3 - 13 +8 +3 +8 +12 +12 +13 -8 +14

RISES AND FALLS Y	ESTER	DAY	
	Rises	Falls	Same
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rations, Dominion and Foreign Bonds	4	19	36
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cial and Properties	830 383	48 27	167
	41	27	746
	-=		167 46 9 72 71
ations	36 149		_7
5 married	36	80 26	72
5	149	26	71
- ·			
Totals	1,446	547	894

## LONDON RECENT ISSUES

EQUITIES

issue	Ampusi Paid	Latest Respon	19	187	Stock	Closing	+ or	Net. Drv.		Gross	PI
Price	ptb	Date	H-gb	Low	] ]	Price	1	UN.	Lova	Yield	Ran
ģ132	F.P.	30/6	177	155	B.D.A. Hittgs. 10p	172	+2	125	3.70	20	18
\$77	F.P.	-	112	90	Barrett (Henry) 10p	108	+3	R2.61	22	3.6	17.
<b>\$77</b>	F.P.	30/6	107	96	-ĕBordedLaminates I Up	105		L2.4	2.4	3.1	18
§185	F.P.	67	242	210	Chemory Intl	240		L4.9	2.7	2.8	16
<i>-</i>	F.P.	l —	19	10	ChildHealthRes.Wrts	19		-	J J	l I	_
6125	F.P.	<b>—</b>	1185	1145	¿Colorgraphic 10p	183	+6	130	l 2.8 i	22	21
1230	F.P.	107	297	Z78	Competer People Sp	297		123.6	32	17	26
<b>∮</b> 56	F.P.	17/7	82	75	4de Morgan 5p	77	+2	R3.0	43	18	18
576	F.P.	1946	99	76	AGC Floor & Furn's	56		LL95	2.8	3.11	15.
<u> 5170</u>	F.P.	זע	205	188	Hambros Adv. Tech TS	192		-	l —	) —	۱ –
<b>§130</b>	F.P.	15/7	170	142	Neotrones Sp	142		RL8	l 4.2	1.7	18
	F.P.	_	120	80	Ordianeim Warrants	120		-	l — I	I — I	l –
125	F.P.	26/6	190	180	Picketch	168		RZ5	131	1.8	24.
<b>483</b>	F.P.	_	97	88	Practical levs	9612		-	! — I	_	-
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55	F.P.	l –	103	98	Ds. Inc. 1212p	98		H5.67	I I	7.8	l –
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170	85	23/9	154	12812	Rolls-Royce 20p	135	+1	W4.99	27	3.1	13
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492	F.P.	24/6	100	96	#Snoralplan Sp	96	[ .	m7.6	36	21	16
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125	F.P.		265		Shoop (nell-50)	252	+5	RI.35	3.8	7.3	48
§125	F.P.	2/6	167	158		167		u2 5	2.8	2.1	23.
135	F.P.	4/9	170	160	Wehrelleri Barry Unti So	165	-2	R4 0	2.9	33	11

**FIXED INTEREST STOCKS** 

issae Price	Acrocart Palisi	Lates Remoc	19	87	Slaci	Clasing Proce	+ 0
£	뫄	Date	High	i,cur		£	-
	F.P.		115	98	Barndene (mrs. 15% Uns Ln. 2007-12	107	+2
495.982	E25	30/11	29	251	Cap & Courpes 9%% 1st Mt. Do 2027	27%	-4
\$99. <b>23</b> 9	F.P.	20/7	947		Daves Est. 104 % Lot List. Deb. 2017	994	
	F.P.	· ~/	139		#Ecobrat 124% Con. Uns. Lot. 1988/90	136	+7
<b>?</b> ?	FP.		143p	1,08a	->Gibbons Lyons 7% Cov Cam Red Pf. (51)	140a	-3
_	125	25/8	26/2	23%	Gr. Portland Ests. 91/% 1st Mr. Do 2016	3	ــــــــــــــــــــــــــــــــــــــ
-	£10	. <b>~</b> !	เน	11	Mid-Southern Water 7% Red. Prl. 1997	n ii	
_	F.P.	1	101	993	Nation#rde 83pc 23.5.88	1004	
-	F.P.	l ~1	100	99	Do. 812 pc. Bdr. 20/6/88	100	
Ħ	Nai	297	27ppm	20pp-m	Nable & Lund Box CrivCumRedPrf(£1)	20pp#	i-i
-	125	ן גוענו	2512	23	North Housing Assoc. 84% Gtd. in 2037	24	+1
_	F.P.	7/7	2980	2400	Do Zero Con. Ln. 2007	2978	+5
-	F.P.	-1	1750	1650	P&O Satts Warsts, 1988-92 (April, 1975)	170	
695.221	£25 (	2/1a (	26	2315	Peachey Property 912 - 1:1 Mt Deb.2015	251,	
	E40	128	42	384	Pee! 97gpc 1st Mt. Deb. 2011	42	-10
<b>‡</b>	F.P.	15/7	1060		Prowting 8.3% Cum. Red. Prl 2002 (£1)	10bo	+ 4
الـــة	F.P.	-1	1740	1720	00. 134% Cum. Pri. (£1)	1725	+1
498.221	625	970	261	24	Scot. Eastern Inv. Tst. 91,40 Deb 2020		
e.	F.P.		1130		Spong Criv. Com. Red. Prl. (20p)	2572	+4
698.105	F.P.	107	1015	994	Tr Ind & Gen Tra. 10% Deb 2016	1115	-2
/	F.P.	~ [	127	135	Wickes 5124, Sub. Con. Un. La.	1014 127	-4

"RIG	HTS	" Of	FER	<b>RS</b>			
Issue Price	Ámozat Paid	Lates Renunc	14	67	Stock ·	Clasing Price	+ or
	up.	Date	High	Low		P	[ -
210	NH	24/7	65pm	42pm	Artingson Securates 10p	65pm	+15
136	NH	-	83¢m	7ьрт	Banda Ireland cap. (Ir £1)	Alem	-2
350	NH	23/7	70pm	4000	Berkeley Group	70	+18
11	Mit	196	625pm		PASSONETHE ET THE PROPERTY OF THE PASSONETHE PASSONETHE PROPERTY OF THE PASSONETHE PASSONETH	200am	-45
625ණ	Mri I	19/6	130cm	80pm	Coes Merchson	90pm	, <b>-</b> 73
DM450	Nu	- 1	278cm	1200	i Deatsche Bk. Darsin	266pm	
25	Mili	247	21 pm	15om	Epicore Hidgs. Sp.		1 :::::
250	Nul	227	100om	85om	OFKB Group Sp	.21pm	+512
210	No		53 <del>0m</del>	4400	[ MAZICEBOOT 10to	100pm	::=
_II	NAI .	29/5	68am	45em	In. in Success Wires.	53pm	+2
397	Nii	207	40mm	1500	PKLP Group 50	60рт	
265	N/I	157	114am	84om	Kennedy Brooks 10p	35pm	
180	Nu	107	750m	4500	Outch (H. & J.) 10p	111pm	
21	Nil	17/7	Ol day	7pm	Rock 10p.	70pm	-1
345	NII	17.7	89om	AOnm	ATay Homes	्रोधन	-12
575	Nil	247	77pm	4.7mm	WCRS Grp. 10p.	89pm	+15
		,	, /pm	0.784	GAND ALT TABLE TO A SECOND TO SECOND THE PARTY OF THE PAR	77nm	42

Renunciation date usually last day for dealing free of stamp dust, a Annualised dividend, b Figures based on prospectus estimates. A Doudend rate paid on payable on part of capital, over based on dividend in full capital, g Assumed dividend and yield. A Assumed dividend and yield after surp page. P Dividend and yield based on prospectus or other official estimates for 19847. H Dividend and yield based on prospectus or other official estimates for 19847. H Dividend and yield based on prospectus or other official estimates for 1984. Estimated parallelood dividend, cover and one based on latest annual search of the format squeers. I indicated dividends, cover and pe ratio based on prospectus or other official estimates, annual earnings, in Forecast, or estimated annualised dividends to previous dividends, or ratio based on falest annual earnings, in Forecast, or estimated annualised dividend rate, cover based on prospectus year's earnings.

\* Issued by tender, it Official holders of ordinary charges as a "rights," if it introduction, " Issued by way of capitalisation, 4 Placing price, 5, Reintroduced, so stated in connection with reorganization merger or takeover. \*\* Alloument brice, 6 United Securities market, 19 Official London fisting, \$\preced{\pi}\$ including marrants entitlement. I Placing and offer for sale price.

### **FT-ACTUARIES INDICES**

These Indices are the joint compilation of the Financial Times. the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS		Monday June 15 1987					June 12	Thurs June 11	Wed June 10	Year ago (approx
Figures in parentheses show number of stocks per section		Index No.	Day's Change	Est. Earnings Yield % (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	rd adj. 1987 to date	Index No.	Index No.	index	Index No.
1	CAPITAL GOODS (212)	955.63	+1.6	7.20	2.80	17.47			931.02		
2	Building Materials (28)	1274.76	+0.5	6.72	2.64	18.58			1241.84		
3	Contracting, Construction (33)	1687.20	+2.1	7.11	2.82	18.87			1609.28		
4	Electricals (13)	2401.85	+2.0	5.55	3.26	24.19			2334.42		
5	Electronics (35)	2104.18		7.32	2.11	17.78			2058.84		
6	Mechanical Engineering (60)	504.09		8.27	3.39	15.16			494.39		
8	Metals and Metal Forming (7)	527.50	+1.6	7.04	2.88	17.11		519.41			
9	Motors (15)	360.68		8.46	2.96	13.76			349.93		
9	Other Industrial Materials (21)	1564.34 1338.15		6.36 5.95	3.16 2.49	18.96 21.55			1530.46		
2	CONSUMER GROUP (185) Brewers and Distillers (22)	1239.20		7.63	2.85	16.57			1305.30 1217.14		
أة	Food Manufacturing (25)	1026.62		6.83	294	19.06		1009.88		993.94	
6		2549.11	+1.0	5.14	2.26	26.59			2443.81		
7		2556.09	+0.1	3.95	1.56	29.64			2511.65		
9	Leisure (31)	1372.19		5.81	3.09	22.64			1332.63		
í	Packaging & Paper (15)	687.54	+15	6.07	2.49	20.79		677.22		67L92	469.3
Ž	Publishing & Printing (15)	3932.90	+1.5	5.75	3.09	22.37			3846.98		,
4	Stores (36)	1152.04		6.27	2.48	21.53			1125.45		
5	Textiles (16)	764.52	+0.7	8.01	2.93	14.49			753.82		
ō	OTHER GROUPS (86)	1125.41	+0.8	7.44	3.01	16.82			1098.70		780.7
ī	Agencies (16)	1600.81	+3.0	4.29	1.50	30.72			1525.94		0.0
2	Chemicals (21)	1350.56	+1.7	7.23	3.26	16.96			1314.10		883.4
3	Conglomerates (11)		+0.3	7.71	3.28	14.83	13.73	1356.10	1344.34	1349.56	0.0
5	Shipping and Transport (11)		+0.9	6.93	3.53	18.08			2243.43		
7	Telephone Networks (2)	1245.96	-0.8	7.51	3.01	18.17	1.09	1255.38	1219.17	1232.73	872.7
8	Miscellaneous (25)	1502.17	+1.8	8.77	2.93	13.65	18.08	1475.40	1461.06	1482.50	1026.8
9	INDUSTRIAL GROUP (483)	1194.43	+0.8	6.67	2.71	18.99	11,44	1185.27	1165.19	1168.59	832.6
ı	Oil & Gas (17)	2225.57	+1.0	4.91	4.15	26.36	37,29	2202.84	2175.34	2190.10	1390.3
9	500 SHARE INDEX (500)	1281.89	+0.8	6.41	2.92	19.82	13.70	1271.57	1250.88	1255.25	864.5
1	FINANCIAL GROUP(118)	798.29	+2.3	_	3.67				764.52		
2	Banks (8)	827.98		16.73	4.53	7.90			797.03		604.1
5	Insurance (Life) (9)	1163.03			3.62	_			1118.22		
6	Insurance (Composite) (7)	583.82	+3.2	١ ــ	4.19	\ <u> </u>			556.93		
7	Insurance (Brokers) (9)	1191.89	+2.5	9.03	4.52	14.27			1179.29		
8	Merchant Banks (11)	402.42	+2.8	i —	3.19	i —	4.41	391.53	384.86	385,44	352.6
9	Property (46)	1224.81	+3.1	3.78	2.39	34.36			1157.18		
<u>o</u>	Other Financial (28)	521.46	+2.6	6.28	3.05	20.08	5.42	508.34	499.20	497.22	341.6
1	Investment Trusts (93)	1962.76	+0.9	_	2.25	; —	10.58	1052.87	1038.29	1040.18	<sup>1</sup> 742.0
1	Mining Finance (2)	501.38	-2.1	670	3.31	19.28	6.79	512.15	512.15	510.30	269.1
1	Overseas Traders (11)	1049.82	-0.2	8.43	4.42	14.16	22.64	1051.53	1044.86	1046.86	658.9
9	ALL-SHARE INDEX(724)	1149.72	+1.0	<b>-</b>	3.03	[ <u> </u>			1119.63		
		index	Day's	Day's	Day's	June	June	June	June	June	Year
	L	No.	Change		Low	12	11	10	9	8	290
_	FT-SE 100 SHARE INDEX &	1	+18.1		BARA F	9900 E	2040 2	1 0004 3	2265.2		

	FIX	(ED 1	INTE	REST	•		AVERAGE GROSS REDEMPTION YIELDS	Mon Jone 15	Fri June 12	Year ago (approx.)
	PRICE INDICES	Mos June 15	Day's change	Fri Jone 12	ed adj. Loday	xd adj. 1987 to date	British Government 1 Low 5 years	7.94 8.73 8.74	7.81 8.58 8.59	7.51 8.93 9.00
2 3 4	British Government 5 years 5-15 years Over 15 years Irredeemables All stocks Index-Listked	124.32 144.70 155.05 170.08 140.78	-0.86 -1.32 -0.83	124.92 146.76 158.32 171.51 142.57	0.19 0.80 1.18  0.66	5.47 6.64 6.68 6.30 6.30	4 Medium 5 years	8.78 B.97 8.97 8.98 9.09 8.89 8.80		9.04 9.31 9.32 9.21 9.47
7	5 years Over 5 years	122.29 115.90 116.25	-1.17	122.74 117.27 117.54	<del>-</del>  -	0.83 1.43 1.36	12 Inflat's rate 5% Over 5 yrs\ 13 Inflat's rate 10% 5 yrs\ 14 Inflat's rate 10% Over 5 yrs\	3.76 2.14 3.69	3.69 2.02 3.61	3.35 2.50 3.18
9	Debeutures & Louis Preference	125.56 89.60	+0.03	125.72	0.20 0.14	5.86 3.01	15 Debs & 5 years	9.81 9.87 9.90 10.13	9.46 9.81 9.91 10.11	10.14 10.23 10.25 10.43

\$0pening lodex 2301.9; 10 am 2295.0; 11 am 2299.8; Noon 2300.8; 1 pm 2304.9; 2 pm 2308.8; 3 pm 2310.3; 3 30 pm 2306.9; 4 pm 2306.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 48Y, price 15p, by post 32p.

## WORLD STOCK MARKETS

-			W	ORLD STO	CK MARKETS	
	AUSTRIA Jama 15	Price + or June 15 Price + sr June	AUSTRALIA (Continued  Price + or June 15   Price    Australia (Continued    Australia   Price    Australia   Price	+ or June 15 Price   + or	CANADA	
	Confirmation  Co	1910.00 +10	1942.00	Nippon S-liko	TORONTO  Closing prices June 15  Closing prices June 1	1834
1	June 25 Battica Skand Cop Handelsbank Den Dauske Bank East Aslatic Forenede Brygs SS Switems Jyske Bank Neva Inds. Frivatbanko Sophus Berentsen Superfor Finishanko Jame 15 Anner KOP Kone Franish Sogar Notaa Repota Siackmann B' Uldr. Fransma-Repota Siackmann B' Uldr. Fransma-Repota Siackmann B' Uldr. Franser Finish Sogar Rotaa B' Uldr. Franser Finish Sogar Foliola 'B' Rauma-Repota Siackmann B' Uldr. Fraper Marshal (111)	970.00   +5	RLAND  15	Togo Sekan   2520 + 50	25195 CDC ! 5134 127a 127a 127a 127a 127a 127a 127a 127a	FAL June 15  327 33  247 247 - 74  184 185 12 + 18  185 184 + 18  185 184 + 18  184 136 + 14  134 136 136 + 14  127 127 176  117 177 1774  118 111 111 + 18  154 153 + 18  254 328 328 + 18  372 372
	FRANCE June 15	AEGON	4450 +75	+30 OUB 4.46 -0.42 -60 Public Bank 252 -0.14 +110 Sime Darby 3.38 -0.02 -80 Singapore Air 13.30 +0.1	NEW YORK-DOW JONES June June June June June	1987
A STATE OF STATE STATE OF A LABORATING PROPERTY STATES	Emprunt 45% 73 Emprunt 7% 1973	1921.0	Price	Singapore Air   13.30	Section   Sect	183.43 (25/5)  183.43 (25/5)  183.43 (25/5)  183.43 (25/5)  183.43 (25/5)  183.43 (25/1)  183.43 (27/1)  194.45 (27/1)  197.8 (2
(	OVER	-THE-COUNTER Nasdaq na	ational market, closing prices	Stock Sales High Low Last Clase	June   June   June   June   June   1987   June   12   11   10   High   June   12   1377   894   857   June   141.81   High   June   141.81   High   Hig	
NA N		2011 1 25 21 21 21 21 21 21 21 21 21 21 21 21 21	Somray	(Hinds)  (Hi	TORCOSTTO  June 10 1987  June 11 10 High Low  Needs & Ministrative 12 11 10 High Low  Needs & Ministrative 13 171.4 3,755.5 3,781.5 3,	361.3 (2/1) 5.7 JSE Industrials— 50; Standard and 1975 and Mystreal
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## FINANCIAL TIMES

**WORLD STOCK MARKETS** 

AMERICA -

## Dollar-led rally hits resistance below 2,400

#### **WALL STREET**

WITH the help of a firm dollar, Wall Street stock and bond prices made modest progress yesterday as the Standard & Poor's 500 stock index closed at a record high, writes Roderick Oram in New York.

Bonds gained about half a point although they suffered a brief setback during the session because of a spurt in commodity futures prices. Volume was thin with only ight retail buying.

The Dow Jones industrial average closed up 13.81 points at 2,391.54, its sixth gain in a row. At its best it had been up almost 20 points before succumbing to some profit taking and the temporary jitters in the bond market.

The broader market advanced at a comparable rate, pushing up the Standard & Poor's 500 index 1.52 points to 303.14 to break its previous record of 201.95 set on April 6. The Dow industrial average is still some 14 points below its record closing level reached the same day.

New York Stock Exchange vol-The NYSE composite index add 0.75

in building on recent gains. Some analysts expect prices to make furfor volatile trading late in the week leading up to Triple Witching Day on Friday. Investors and traders are nervous that the new timetable unexpected consequences. Among the blue chips, Primerica

press edged up \$% to \$35%, Boeing added \$1 to \$47%, Eastman Kodak jumped \$2% to \$84%, McDonald's the previous month's level. gained \$1% to \$86% and Sears Roebuck advanced \$% to \$51%. Ford Motor jumped \$3% to \$97%.

The group, which has been the subject of favourable news stories resales rose 7.2 per cent.

Falling bond yields helped boost as banks, insurance companies and savings and loan institutions. Aetna gained \$1% to \$61, Citicorp rose \$% to \$63. Great Western Financial added \$% to \$21% and Chubb rose

strong, IBM rose \$3 to \$159%, Digital Equipment gained \$1% to \$165%, and Cray Research advanced \$4 to \$103 although Apple Computer fell tended higher against the trend, \$\% to \$78\%, Unisys dropped \$1 to with Canadian Pacific up C\$\% at \$119% and Hewlett-Packard fell \$1%

JWT rose \$1% to \$52. WPP Group said it was prepared to raise its ofsaid it was prepared to raise its of-fer for the advertising and public treal put on CS% to C\$33 and Toronrelations group to \$50% from \$45 a

Standard & Poor's

1983

June 15 Prev Year ago

2.391.54 2.377.73 1,874.19

n/a 207.80 224,11

81.29

104 10 102.5

187.69

203.71 203.77

(Composite)

(500 stocks)

1982

MEU YORK

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DJ Industria

STOCK MARKET INDICES

Spectra-Physics, a manufacturer of lasers, edged down \$% to \$36% after it agreed to a \$36% a share offer from Ciba-Geigy, the Swiss chemicals and industrial group.

Caesars World slipped \$% to \$33%. Mr Martin Sosnoff, a New \$35% for the statement of the stateme York investor, dropped his bid for the casino group which will go ahead with a capital restructuring. Big V Supermarkets rose \$1% to

\$20%. It agreed to a \$21 a share takeover offer from a subsidiary of First Boston, the Wall Street investment banker. Lamaur fell \$2% to \$12%. The manufacturer of hair care and other toiletries said it expected its second quarter earnings to be below the

year earlier 18 cents a share. In the credit markets, bond prices rose as much as half a point in early trading on the strength of a firm dollar and buying abroad. But prices fell back during the morning after a sharp rise in the Commodities Research Burueau's index of commodities futures prices. The rise was attributed to soaring grains futures because of unseason ably hot, dry weather in the US.

Prices recovered during the after ume was moderate at 154.7m shares noon to leave the benchmark 8.75 with advancing issues outnumber- per cent long bond up  $1\frac{1}{2}$  of a point ing those decilning by 830 to 678. at 103% yielding 8.45 per cent. Yields on shorter maturity bonds

to close at 170.60.

Profit taking yesterday as the Dow approached the 2,400 level in
also eased down slightly although three-month Treasury bill yields points to 5.79 dicated stocks might face difficulty per cent. Six month and year bills

The Fed funds rate was firm at ther short term gains while others 6% per cent, in part because yester-are concerned about the potential day was a tax payment date which day was a tax payment date which placed heavy cash demands on the banking system. The markets face the release of

two key economic statistics today, for the expiration of stock index fu- but neither are expected to have tures and options and options on much impact on bond prices. Hous-underlying shares could have some ing starts are forecast to have fallen lightly in May from April's 1.65m at an annual rate because of higher rose \$1% to \$43%, American Ex-mortgage interest rates. Secondly, industrial production in May is forecast to have risen slightly from

#### CANADA

THE ADVANCE on Wali Street failed to outweigh the fall in the HOD DITCE prices were mainly lower in active

Among golds, Echo Bay lost C\$2 to C\$49 and International Corona C\$1% to C\$37%, while Dome Mines eased C\$% to C\$18%. The non-precious metal sector

saw Noranda CS% lower at C\$29% while Alcan, which has agreed in principle to buy CAE Industries' Ontario unit also shed C\$\% to C\$40%. Shares with a New York listing

C\$24% and Seagram gaining C\$1 to Banks also picked up a little from

to Dominion added C\$% to C\$28%. Montreal was little changed

## Foreigners lobby TSE on commissions

THE HANDFUL of foreign brokers allowed to trade on the Tokyo Stock Exchange have begun to lobby the Japanese authorities to restructure threatened cuts in the fixed commis-

sions they charge. Tension is high among the six foreign houses which began trading here early last year because they believe the new cuts planned by the TSE for this October could hurt them more than their established Japanese competitors, mirroring "discriminatory" cuts imposed last November.

The Japanese authorities then made big re-

ductions in commissions chargeable on largevolume, institutional transactions (where the foreign houses do almost all their business), but made no changes in "retail" transactions, below Y10m (\$70,000), where Japanese brokers

have a monopoly. On average, Japanese brokers, including Nomura Securities, the world's biggest broker, do about half their domestic business in smaller transactions where the commissions are

"If we did nothing now I'd give a 90 per cent chance that the cuts would be the same as last year's," said one foreign broker. The six houses, Morgan Stanley, Jardine Fleming, Vickers da Costa, Goldman Sachs, Merrill Lynch and Warburg Securities, plan to make a

Peter Bruce in Tokyo reports on tension among overseas brokers who are seeking help from their governments over their complaint that planned cuts in charges may be discriminatory.

presentation to the TSE in July or August and want political help from Washington and Lon-

"We want uniform cuts - the foreign securities houses are speaking with one voice on this," a broker said yesterday. "I think we are going to get a better hearing this time."

Nevertheless, the foreign houses fear that bureaucratic factions within the Ministry of Finance and the Bank of Japan will fight to pro-tect the hundreds of small, regional securities dealers, many of whom have no institutional business, from any reductions.

Last year's cuts drove commissions on deals worth Y500m or more down from 0.45 per cent to 0.3 per cent and on Y300m transactions from 0.52 per cent to 0.35 per cent. But they left all deals at Y10m or below untouched at 0.95 per cent. A British broker said yesterday that get-

ting into the Japanese retail business would be "a 10-year slog."

Neutral analysts point out, however, that

Japanese commissions resemble the pattern set in other markets, where larger transactions also attract smaller percentages.

Although the foreign brokers in Tokyo say

they want political support, some concede it could be hard to get. Both the US and British governments lent considerable support to their efforts to win initial access to the market but interference with the market's rules could be more difficult. Anyway, said one broker, "how could politicians (in the US and UK) support any system of fixed commissions at all?"

There are, however, some hopes here that the Japanese may be more amenable to foreign broker lobbying prior to Japanese efforts to win gilt-dealing licences in London in Octo-

"Ultimately we can take our business out of Japan," said a foreign broker, adding that many institutional customers might prefer that anyway because they could then negotiate

It was partly to stop this practice that the TSE introduced the new, lower fixed commission rates last year.

Vacant TSE seat worries foreign brokers, Page 29

## EUROPE:

## Exporters shine in wide recovery

THE DOLLAR's recovery injected renewed vigour into European equity markets, with most rising in

sharply higher turnover.

Frankfurt advanced broadly and strongly as the dollar's rise drew in foreigners to buy export stocks. The Commerzbank index rose 27.6 to

In cars, BMW jumped DM 21.20 to a year's high of DM 641 amid intensified market rumours of a joint venture between the group and Japan's Honda. VW, itself reported to be co-operating with Toyota, added DM 8 to DM 384 despite news of a 55.4 per cent fall in US sales for the first 10 days in June on a year ago. Daimler was DM 18 up at DM 1,035.

Chemicals made ground. BASF was DM 5.20 higher at DM 300.50, Bayer DM 5.10 up at DM 322.50 and Hoechst DM 7.50 firmer at DM 283. Deutsche Bank rose DM 9 to DM 580.50 in a healthy sector. Dresdner added DM 13 to DM 310 and Commerzbank was DM 8 up at DM

Siemens was DM 12 higher at DM 708 and AEG improved by DM 2.80 to DM 312.50.

DM 139m of paper after buying DM 121.3m on Friday.

Zurich was carried solidly higher as foreign buyers were attracted back by the dollar's rise. Financials and industrials starred.

Union Bank led a firmer sector with a rise of SFr 75 to SFr 4,450. Insurers were also higher across the board. Helvetia registered were up SFr 75 at SFr 3,950 and Winterthur bearers SFr 90 ahead at SFr er at Fl 136.90

1.786.6

Financial issues again rose

and SFr 200 at SFr 3,290 and SFr at 415.6.

Groupe Bruxelles Lambert added Source Perrier shares were sus-BFr 15 to BFr 3,775 in a quiet hold-pended at Friday's FFr 770 close ings sector. It is going ahead with a subordinated bond issue bearing

warrants. Bonds fell steeply on foreign Blue chip Petrofina added BFr 75 sales spurred by the dollar's to BFr 11,250. Solvay, a recent fastrength. The Bundesbank bought vourite, was unchanged at BFr vourite, was unchanged at BFr 12.500. Cockerill-Sambre was BFr 7 up at BFr 177 amid general market applause for the group's restructurng programme.

rally spurred by Wall Street's good Monday opening in which internationals reaped the biggest advan-

Unilever led the pack, up Fl 12.80 to F1 692.30, with Akzo F1 1.70 high-

#### SOUTHAFFICA

GOLD STOCKS fell sharply in Johannesburg to their lowest levels since early April as the bullion price dropped and nerves set in R16 to R430 an over possible unrest today on the R1.50 to R16.25. anniversary of the 1976 Soweto ri-

**Orange** 

1983

STERLING

CURRENCIES (London)

Juice

**KEY MARKET MONITORS** 

The gold index lost 84 to 2,077 Vaal Reefs plunged R20, or nearly 5 per cent, to R410, Randfontein lost R16 to R430 and Grootvlei slipped

Other minings followed the trend, with De Beers down R35 cents

## London continues record run strongly and exporters were bu-oyed by sterling's dip. Privatisa-tion issues continued to move up in busy trade following the Con-servative Party's re-election on

domestie buying pushed London equities to a further closing peak, although government bonds were sold ner-

vously as the pound weakened. The FT-SE 100 index closed up 18.1 at a new high of 2,307.6, its first close above 2,306. The FT Ordinary index was up 18.8 at what was also a new peak of

6,000. Financial holding Adia bear- Paris improved sharply and evenly, ers climbed SFr 375 to SFr 11,100. buoyed both by international fac-Brown Boveri bearers led bullish tors and by Economics Minister Mr industrials with a SFr 60 rise to SFr Edouard Balladur's prognosis of a 2,200 and in chemicals Ciba-Geigy rosier second half economic perforand Sandoz bearers were up SFr 90 mance. The CAC index was up 5.9

11,900 respectively.

Busels closed narrowly higher in thin trade. The stock exchange slide to a record low to close at FFr index was 12.79 higher at 4,653.31.

Blue chip constructor Bouygues pulled back FFr 10 from last week's slide to a record low to close at FFr index was 12.79 higher at 4,653.31.

Gilts fell as sterling's weakness

made the likelihood recede of an early cut in base lending rates.

Drops of more than 11/2 points

took prices to below pre-election levels. Details, Page 44.

pending an explanation from the stock exchange. Reports attributed to company spokesmen said the move could be linked to Perrier's Foods mineral water subsidiary.

second day of polling in the general election. Selected blue chips led the

ter range on June 23. Italcementi retrieved its briefly

nterrupted momentum with a L1,250 rise to L97,700. Madrid rose in advance of the release of inflation figures for May expected to show a rise of no more than 0.3 per cent. Telefonica jumped 3 percentage points to 186.25 per cent of nominal market

Stockholm firmed in light selling. The Veckans Affarer all-share index rose 4.6 to 996.1.

announced takeover of a Beatrice Milen gained slightly during the

Olivetti added L261 to L13,465. It will unveil a new personal compu-

some months.

Oslo was mostly higher in dull trade. The all-share index was up

## ASIA

## High-tech gains fail to halt slide

#### TOKYO

HIGH-TECHNOLOGY stocks per to Y1,930 and Y1.180. formed strongly in Tokyo yesterday in an otherwise falling market as eased: Ajinomoto and Takeda giant-capital and domestic demand- Chemical dropped Y30 each to related issues weakened, writes Y3,530 to Y3,350. points to end at 25,756.44 after gaining 91 at one point in the morning. Turnover dwindled from last Friday's 1.32bn to 796.06m shares. De. day's 1.32bn to 798.06m shares. De-

The lack of fresh market-moving factors and growing concern over precariously high prices combined to push many investors to the sidelines, brokers said.

high-technology Export-led stocks remained the session's best performers aided by the dollar's surge to above Y144 on the Tokyo ioreign exchange market.

Sony added Y180 to Y3,880 in trade of 9.01m shares and strong buying which led the Tokyo Stock Exchange to suspend trading temporarily to restore market order. Matsushita Electric Industrial, with 18.80m shares traded, strengthened

Y110 to Y2,060. Among other internationally popular issues, Konishiroku Photo Industry firmed Y50 to Y790 on volume of 21.01m shares. The rise followed investor appraisal of the change of its corporate name to Knomica Corp, scheduled for Octo-ber. Hitachi stiffened Y30 to Y1,130,

The strength of these blue-chips stemmed from buying by investment trusts and non-residents, traders said. One analyst at a big securities company said a consensus was being formed that high-technology stocks would lead the market for

Stocks in other sectors generally slumped with more investors selfing large-capital and domestic demand-stocks issues to buy blue-

Large-capitals fell widely. Kawasaki Steel, the busiest with 47.35m shares traded, shed Y11 to Y269, Nippon Steel, second with 42.47m shares, Y8 to Y361, Sumitomo Metal Industries Y5 to Y242 and Mitsubishi Heavy Industries Y11 to Y600.

also slackened, with Kajima Corp and Teisei Corp slipping Y50 each

Biotechnology-related stocks also

Bonds moved widely, with the Shigeo Nishiwaki of Jiji Press.

The Nikkei average shed 137.83 points to end at 25,756.44 after gain
10-year government bond due in the ship of the clines led advances by 521 to 423, at 2.830 per cent. The yield later with 109 issues unchanged. inter-dealer trading.

#### **AUSTRALIA**

THE FALL in the world bullion price pushed Sydney gold and re-sources stocks lower, taking most industrials with them, in very sub-

dued trading.
The All Ordinaries index shed 9.2 points to 1,818.5 while the gold index fell 56.4 to 3.089.9.

Among golds, GMK was steady at A\$10.25 following last week's take-over offer by North Kalgurli, Mr Alan Bond's company. Western Min-ing, which is selling its GMK stake, lost 18 cents to A\$6.92. Among limited gains in the indus-trial sector, Pacific Dunlop rose 33

cents to A\$5.06, Bell Group 12 cents to A\$8.36

Hong Kong was closed for a holiday.

## SINGAPORE

THE WEAK trend persisted in Singapore as institutions stayed out of the market and other investors continued to take profits. The Straits Times industrial index fell back 10.77 to 1,216.36. Turnover was little changed from Friday at 42m shares. Speculation, later confirmed, about the release of more government-held Singapore Airlines shares belped to dampen sentiment, as did news of a placement abroad of MMC shares.

A few blue chips gained, with Singapore Airlines adding 10 cents to \$\$13.30 Singapore Airlines shares to be

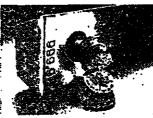
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## The Solid Gold Investment

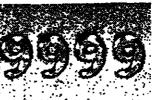


Gold is the one commodity that has long been valued as the basis for sound financial planning. Esteemed for its enduring value, gold is a long-term insurance against monetary, political and social uncertainty. It is held by international bodies, governments, banks, corporations and individuals.

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choose the most portable and widely-accepted—Canada's Gold Maple Leaf. To suit your individual investment needs, the Gold Maple Leaf is available in 1 oz., 1/2 oz., 1/4 oz., and 1/10 oz.



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#### LOISDON F SE 100 2,307.6 2,289.5 1,582.40 787.19 A All-shan A 500 1,281.89 1,271 57 869.89 196.2 A Long gift World Act. Ind 8.89 8.76 9.39 134 93 (June 12) TOKYO 25,756 44 25,894,27 17,206,0 224108 2255.67 1,327.79 Tokyo Sē All Ord. 1.818.4 1.827.7 1.216.3 Metals & Mms. 1,122.4 1,139.8 535.3 Credit Aktion 183,60 184.03 241.85 4,553.30 4,640.52 3,513.21 CENADA 2871.3" 2901.19 2.216 Met.S Mins. 3,716.5\* 3,725.50 3,089.0 Portfolio

FAZ-Aktlen US DOLLAR rzbank 1,783.60 1,756.0 2,016.1 700.55 697.78 708.36 ANP CBS 295.10 269.9 247.60 243.7 Streits Times 1,216,30 1,227,04 696,12 2,181.0 1,226.5 1,898.0 1,130.9 229.27 227.33 172.71 n/a 2,678,14 2,394,49 n/a 582.3 **COMMODITIES** (London) June 15 Prev 457.80p 475.35p £975.0 £964.50 £1.301.50 £1.294.00 GOLD (\$/oz)

1.8245 144,75 6.0900 1.5130 June 15 \$449.75 \$449.75

\$459.34

237.50 9.9900 2.4775 3.3675 2,167 62.05 236.25 9.9375 2.4700 8% 1997 101% 8% 2017 102% 101 1,312 2,152.5 37.55 61.75 1.3395 2,2000 INTEREST RATES 7% 7% 6'% 6,75' 5,63' 7.075 5.72 th CDa FINANCIAL FUTURES US Treasury Bon 8% 32nds of 100% Latest 93-12 93.96

1-3 3-5 15-30 157.57 +0.17 193.58 +0.59 Mem≣ Lynch June 15 10.16 9.35 9.1B Warch 2016 104.66 9.40 Motors 8% April 2016 96 N7 9.55 10.05 125-24 127-17

93%

1987 Gold Maple Leaf is the best-selling coin in the world. US BONDS 8.18 92<sup>24</sup>52 8.334 99<sup>24</sup>52 8.505 100<sup>17</sup>52 SOLID GOLD

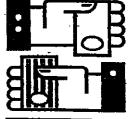
+0.23 +0.12 163.17 154 63 6.66 6.37 -0.03144.03 157.57 +0.07 6.71 7.78 6.30 93.26

9.70 91.07

When you invest in gold bullion,

#### **SECTION III**

## **FINANCIAL TIMES**



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The financial world, sustained by the bull market of a lifetime. has rarely been so

resilient to bad news,

observes Anatole Kaletsky, who offers three sets of explanations. Even

investors who harbour misgivings hope for one more great rally before the ultimate retreat.

## **Under the** volcano

THE US financial community is in financial assets. Commercial dancing on a volcano. To look at banks are trying desperately to the performance of the finan-cial markets, and the prosperity of people who depend on them for their livelihood, the last 12 months have been a true annus mirabilis.

They are investing billions in expanding their securities

By every indicator one cares to mention, records have been beaten, history rewritten and traditional assumptions over-

The stock market has soared beyond the wildest expecta-tions. Trading volumes have advanced still farther. Billiondollar mergers and buy-outs have proliferated, generating for brokers and investment bankers rewards beyond the dreams of avarice.

From a broader economic viewpoint, financial markets have risen to a prominence they have not known for 50 years. This is reflected not only in their contribution to the gross national product, but also in their dominance over the wider financial services industry, and in the decisive sway that finan-ciers now enjoy over all other

actors in the economic drama.

Today the whole of the financial service industry depends on the markets as never before. It is not just the stockbrokers and bond dealers who owe their expand at a time when margins prosperity to booming markets on traditional fixed-interest

generate fee incomes and turn many of their traditional len-

businesses overseas, free of the restraints of US banking legisla-tion. At home, they are lending mind-boggling sums in support of mergers and leveraged buyouts. Such loans are frequently collateralised by nothing more substantial than the money which the newly formed com-panies hope they can make by selling off subsidiaries at high values in the bull market for corporate assets.

corporate assets.

Traditionally staider institutions, like thrifts and insurance companies, are gradually becoming just as exposed as the commercial banks, both to the risks and the rewards of speculative asset trading. For the insurance companies, the boom in their investment profits combined with the high fits, combined with the high returns available in the junk bond market, has helped to reinforce a sharp improvement in the underwriting cycle.
For some thrifts, successful iunk bond investment, has made

it possible to survive and even

home mortgage lending are squeezed almost to vanishing point. Even the top investment banks, which have been trying to diversify their operations away from straight securities trading, may well have actually exposed themselves to market movements more than ever. It is not just their trading sys-tems are vulnerable to sudden shifts in market prices, as evidenced in the mind-boggling losses suffered by Merrill Lynch in the mortgage-backed market. More fundamentally, even the

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MHINGTO

line of the whole investment banking business, are ultimately a play on equity prices. Without a booming stockmarket, it is unlikely that the pace of mergers could be sustained. And it is all too probable that many of the restructurings would themselves unravel if a collapse in the stockmarket undermined the bullish assumptions about asset values on which their financing was based. As long as stock prices go on rising, however, there seems to be no end in sight to the unprecedented much-vaunted mergers and prosperity throughout the financial service acquisitions departments, which have become the front

Atthough the stock market adjusted within an hour, the financial world may need longer.

cial sector's fortunes have been advancing. Stock prices have exploded, brokers have made their millions, and pyramids of debt have soared ever higher, at a time when the world outside the dealing rooms has become more dangerous, uncertain, and even hostile.

At the Fed, Dr Alan Greenspan (front) succeeds Paul Voicker, a man who has achieved almost demi-god status in the financial markets.

finance and ...

Rarely has the financial world been buffeted by quite so many stocks in such a brief time. More rarely still has it proved so resilient to bad news of every type. At a more parochial level announcement, it took less than there has, of course, been the an hour for the US stock market

Yet what is more surprising that started in 1985 has turned than the prosperity itself is the into a rout. Oil prices have political and economic back-returned to an upward path, and ground against which the finan-inflation is accelerating. The returned to an upward path, and inflation is accelerating. The pressures of inflation may still be relatively modest, but this spring the bond market was suddenly seized with the conviction. tion that the low point in the present cycle of interest rates and inflation was now past.

In Washington, the Reagan presidency has been crippled by the Irangate crisis, pro-tectionism threatens, and decisive action on the US fiscal problem looks like a lost cause.

**CONTENTS** 

Foreign banks Third World Debt The economy Foreign investment Equities and stock exchange Commercial banks Securitisation Asset-backed securities Mergers and leveraged buy-outs Profile: Howard Stein Insider trading Futures and options Statistics compiled by Rivka Nachome lunk bonds

ing out of Mr Ivan Boesky's determination to take the "risk" out of risk arbitrage. With the subsequent confession of Mr Martin Siegel, a widely respected and extraordinarily well-connected figure from the blue-blooded house of Kidder Peabody, it rapidly became apparent that nobody on Wall Street could be assumed untainted or immune.

Then there have been the bombshells on the Third World debt front. Brazil's suspension of interest payments in February was by far the biggest gauntlet thrown down by any debtor nation since the crisis first broke five years ago. But the real shocks came last month, when Citicorp took Brazil's action to its logical conclusion. By adding \$3bn to its loss reserves, Citicorp effectively reduced the value of its \$15bn Third World loan portfolio to 70 cents on the dollar, faced up to the biggest loss in US banking history, and wiped out more than a quarter of shareholders'

equity in one day.

What was the markets' reaction to this second debt shock?

To bid up bank shares to their highest level since last summer, and to continue challenging new records in almost every subsequent week

Soon afterwards, on June 2, just when it seemed as if the wellsprings of bad news had finally dried up, there came the biggest blow of all. Mr Paul Volcker, the chairman of the Federal Reserve Board—the man financial markets had turned into a demi-god in their mythology, an Atlas bearing the whole weight of responsibility for managing the world eco-nomy on his enormous hunched shoulders—declared that he would leave his job.

While Dr Alan Greenspan is as well qualified as anyone to take on the succession, for many of the market operators who learnt their trade in the great secular disinflation that began with Mr Volcker's arrival at the Fed in 1979, it will take months to come to terms with a post-Volcker world. Indeed, Mr Volc-ker's departure could well turn out to be the shock required to blow away the bubble of euphoria which has been keeping the financial markets so comfortably insulated from the unsettling world outside. Yet even on the day of the Fed

insider trading scandal radiat- to shake off the panic which had seized bond and currency dealers. Perhaps, then, the financial community has sound reasons for its indifference to all bad news. These reasons can be grouped into three broad sets of

11

arguments.
First, the economic outlook continues to be reasonably healthy. Signs of incipient inflation remain quite limited; the fall in the dollar has on balance been an extremely healthy development; and the growth of the economy continues at a

moderate but steady pace.
Second, even the worldwide
economic slowdown since 1984
has been of benefit to the financial markets and the industries which depend on them. While powerful monetary expansion has continued around the world, there has been a sharp reduction in both commodity prices and real investment. As a result, the monetary growth has been channelled almost entirely into the booming finan-

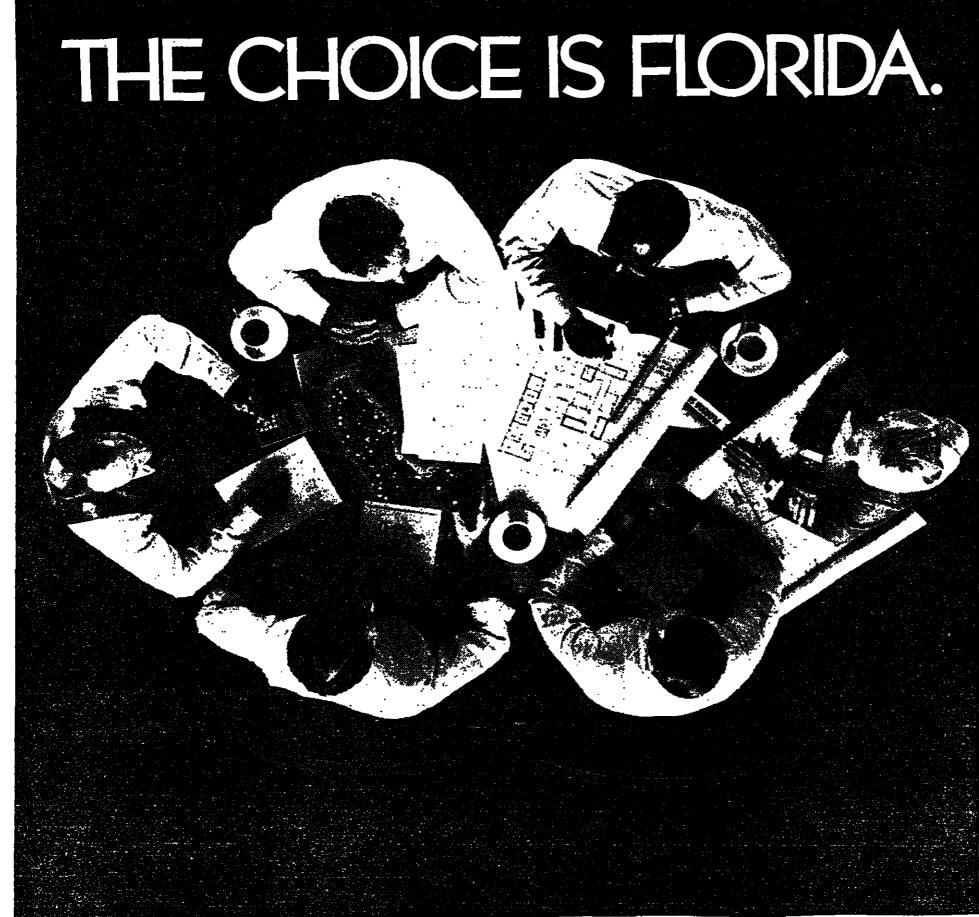
Cial markets.

Third, the falling dollar has been doubly bullish for financial markets. It has provided a substantial boost to corporate profits—so much so, in fact, that Mr David Hale, of Kemper Financial Services, has argued that even incipient inflation can be interpreted as a bullish sign. for this time round inflation is being pushed by higher profit margins, not rising wages. At the same time, the depre-

ciating dollar has made US stocks and corporate assets cheap compared with companies in other countries. This has encouraged large foreign investment inflows into the stockmarket, despite the disenchantment with US bonds in Japan and elsewhere.

How well do such arguments stand up against the bleak and uncertain background of world economic and political developments? In their minds, many investors unquestionably harbour deep misgivings. Sooner or later, they recognise, a world recession will deliver a mortal blow to the "bull market of a lifetime" and bring down with it much of the glossy superstruc-ture of the financial services

But in investors' hearts there is always the hope of one more great rally before the ultimate retreat At present, the intellect is over-ruled by the passion— and the festivities can continue as the volcano sputters and



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**Gross National Product** 

## US FINANCE AND INVESTMENT 2

The economy

## Hurdles on the election trail

rupted expansion, the longest impressive political and econo-unbroken economic upswing in mic hurdles will have to be surconsecutive year of uninter-

the post-war period.
Ignoring the structural econonave neiped to create, in particular the huge trade and bridget deficits. President Breagan is already claiming the credit in advance for this achievement. Whether, in fact, the segment outlies in Octoacmevement. whether, in tact, the economic outlook in October will look as rosy as the President, his advisers and the Republican party would wish hangs very much in the balance.

On Wall Street investors in deficit

On Wall Street investors in ordinary shares are still cling-ing to the conviction that the US

taking the same view. But investors in fixed interest securities balance, probably restrictive. have been paying more attention to the economic problems that lie ahead, unnerved by some of the scares they have been subjected to in the opening months of 1987. They recognize that if Mr Rassan's dream US relies for much of the capital of ending his presidency with-out a second recession is to be realised, and if the President is to leave a positive economic point or more in April, at a time

IN OCTOBER of this year the US legacy to those members of his economy could enter its sixth Republican party who will be facing the voters in 1988, some

Ignoring the structural economic weakness that his policies have believed to expect in the months aread.

Just how precariously the US economy is poised has been evident in the next six months.

The other key components driving the economy have been disturbingly weak, however. economy will indeed this year avoid the recession which a minority of private economists believe is fast approaching.

The bond markets have been Taking the same view. But invessions the same view. But invessions the same view and the same view are the same view. But invessions the same view are the same view. But invessions the same view are the same view. But invessions the same view are the same view are the same view.

nise that, if Mr Reagan's dream US relies for much of the capital

when an upturn in inflation inventories were both related, forced the Federal Reserve in large part, to a slump in car Board to tighten credit to sales from an artificially high defend the dollar and reassure fourth quarter level; and that, the financial markets.

In the first four months of the

year, consumer price inflation ran at an annual rate of 6 per cent, a jump from last year's 1 per cent increase. Interest rates on home loans have now reached levels which are beginning to burt the housing market.
In spite of these negative developments most private economists continue to believe that the weaknesses which the pessimists are focusing on are pessimists are focusing on are transitory, and that another year of sluggish growth of around 2½3 per cent will be achieved. On this view, the upsurge in inflation at the beginning of the year is transitory, the result in part of increases in energy prices which will soon peter out, and the after-effects of the sharp fall in the dollar in the past two years. If so, for the year as a whole, consumer price inflation will not rise above 45 per cent.

nomy with some positive momentum.

But even those economists who are convinced that consumer spending will keep the economy moving forward are well aware of the risk that illudged decisions could trigger the sort of violent reactions in the financial markets which would send the dollar cascading, interest rates soaring, and tip the US economy into recession. will not rise above 4.5 per cent, which is a tolerable level which will not require the Fed to adopt a firmly restrictive monetary policy.

as sales pick up, it will not be necessary for the car industry to cut production sharply in a way which, taken with weak housing and stagnant capital invest-

ment, might trigger a recession. Moreover, it is argued the continued improvement in the trade picture in volume terms, while not enough to reduce the merchandise trade deficit in money terms significantly, will continue to provide the eco-nomy with some positive

Sensitivity on this score helps to explain the overwhelming judgment on Wall Street that President Reagan should have tried much harder to persuade monetary policy.

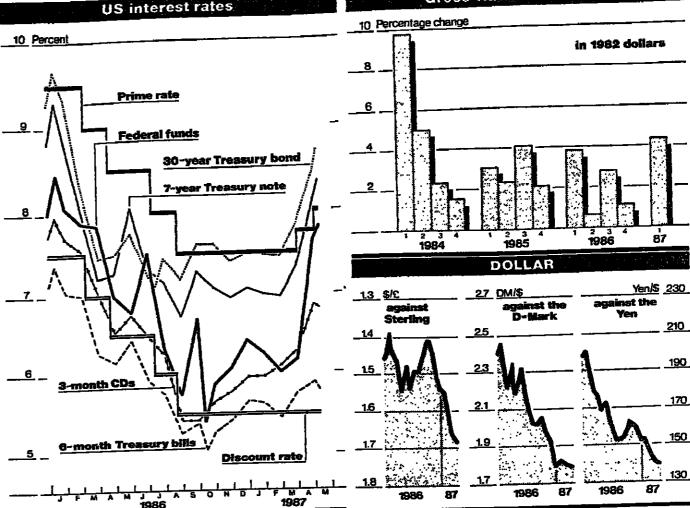
Similarly, economists who Federal Reserve Board chairproject continued growth argue man Paul Volcker to accept man Paul Volcker to accept reappointment to a third term. His replacement Dr Alan Greenspan will now be under Greenspan will now be under the part of the project of the projec strong pressure to demonstrate to the financial markets at home and abroad that he too does not intend to let inflation get out of

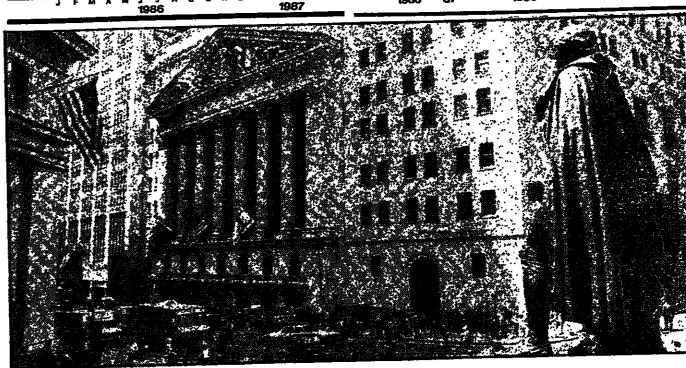
> There is also the budget deficit issue to be negotiated. Were the debate over the budget deficit, between Congress and the President, to deteriorate into a stalemate and the prospect of a rise in the deficit in 1988, the financial markets could hardly be markets could hardly be expected to respond positively. The same would be true if Congress were indeed to pass a clearly protectionist trade bill. The dollar's vulnerability to

adverse swings in confidence in response to political, as well as economic, developments has been all too evident this year. It is not surprising, given the evidence, that it has required official capital inflows, not private capital flows, to finance the cur-rent account deficit in 1987.

No wonder Republican leaders are worried that the economic backdrop to next year's elections will be unfavourable

Stewart Fleming





On Wall Street they favoured Volcker

## Well-navigated

President Reagan: a dream legacy at stake



The Chinese invented the compass some 3,000 years before the West discovered radar. Yet navigation through Asia's commercial waters is still a tricky business today. It requires patience, skill and knowledge of local business routes and customs.

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### **US FINANCE AND INVESTMENT 3**

#### Foreign investment

## Interest-rate spectre haunts policymakers

FOREIGN INVESTMENT in the US is no longer a subject at the periphery of the debate on US economic and financial policy. The willingness of foreign investors to place funds in the US—or more precisely the returns required to make sure they do so—is now one of the central issues in the economy.

The reason is, of course, that capital inflows into the US are the necessary corollary to the the necessary corollary to the huge trade deficit. In effect, Americans are exchanging short-lived goods from abroad for long-term investments in their own country. It's a process that that has been described as "trading office buildings for VCRs," and it's an issue which is likely to become intertwined with the emotional debate now going on in Washington and elsewhere on trade, parti-

#### Foreign transactions Marketable US Treasury bonds and notes (\$m)

_	1985	1986
Estimated total	29.208	24,060
Foreign countries		25,210
Europe		16,996
Belglum-	.,000	,
Luxembourg	476	343
Germany	1,917	7.649
Netherlands	269	1.283
Sweden	976	132
Switzerland .	773	310
UK	(1.810)	4.668
Other western	,_,,	.,
Europe	1.701	2,611
Cenada	(188)	874
Latin America	<b>.</b>	
& Caribbean	4.315	903
Venezuela	248	(69)
Other Latin		•
America &		
Carlbbean	2,336	1,131
Netherlands		_
Antilles	1,731	(159)
Asia	19,919	5,236
Japan	17,909	3,916
Africa	112	(54)
All other	308	1,258
* Transactions	set nurch	2000 07

Standard Olf (remaining 45%) British Petroleum

Blg Three Industries White Consolidated

Mobil's Container Corp(b)

ackson National Life

Robertshaw Controls

axter Travenoi's Flint Unit talston Purina's Animal

on Lehman 13%

Squibb's Charles of the Ritz CPC's European Starch

ITT's Telecom-Equipment Div . Cie Generale d'Electricite

Harcourt Brace Jovanovich (a) British Printing & Comm. UK RJ Reynold's Heublein Grand Metropolitan UK

cularly with the Japanese. short-term fluctuations in the dollar and US interest rates is debate has focused almost entirely on the attitudes of Japan, the world's major surabout the sliding value of the dollar to deter them from major participation at the Treasury auctions? Put another way: will Japanese investors require higher yields to compensate

dollar?

Judging by the recent rise in US interest rates, it seems that the answer to both questions has been "yes." Figures published by the US Federal Reserve show that Japanese purchases of marketable US Treasury notes and bonds dropped charply in 1886, to \$3,92bn dollar? ped sharply in 1986, to \$3.92bn from \$17.91bn in 1985. In the fourth quarter, they became net sellers, and in December Japanese investors reduced their holdings by \$2.09bn.

1986, but there is little to suggest that the buyers were Japanese. Total net purchases of shares rose to \$18.69bn in banking at 1 1986, from \$4.94bn a year earlier; while holdings of corporate bonds rose, with net purchases of \$50.01bn against \$44.23bn a year earlier.

According to economists, the more disturbing aspect of the foreign investment picture was that, in 1986, in contrast to 1985 net private capital inflows failed to keep pace with the growing current account deficit. Private capital inflows fell to \$82bn from \$103bn, with official capital inflows—central bank purchases of dollars in foreign exchange markets—making up

the shortfall.

The spectre that interest rates would have to rise to stimulate capital inflows, leading to recession, is thus haunting policy-makers.

Anglo-Dutch

7,700.0 3,500.0

3.093.0

2.000.0

1.730.0

1.062.0

631.0

600.0

597.0

575.0

545.0 530.0

527.0

The extent to which foreign investors are attracted to invest ments that are less sensitive to

Major 1986/87 foreign takeovers of US companies

Unileve

L'Air Liquide

therefore also an important question. There is indeed evidence that there was more plus country, to investment in this sort of investment in the US US Treasury paper. Will the during 1986, although there are Japanese allow their concern some signs of a pause in early some signs of a pause in early

Direct investment, usually in the form of corporate or real estate deals, is generally made for the longer term, and less likely to reverse because of them for their worries about the adverse financial conditions. The key question being asked by followers of both these markets concerns Japanese involvement

Foreign acquisition of US corporations increased substantially last year. UK firms alone were said to have made some \$13.5bn in acquisitions, against some \$5bn in 1985. Investment bankers report that Japanese takeovers did increase last year, but not so sharply as the foreign takeovers did overall. Increased their holdings by \$2.09bn.

An increase in foreign purchases of shares took place during marketing efforts by US invest-

Mr Steven M. Looney, senior vice-president of investment banking at Nomura Securities International, in New York, says: "A lot more opportunities are being shown to the Japanese by all kinds of intermediaries. The Japanese are becoming more receptive, bt I don't see the flood of deals that some peofrom a greenfield site is still the most attractive route for establishing an operation in the US, relations, bankers say. which is by far their most impor-

tant foreign market. But many mon Brothers, also says the companes are now said to be Japanese are showing concern concerned that time to do this is at recent governmental running short, because of obstacles placed in the way of deteriorating trade relations, recent merger moves—a factor leading them to consider corpotate acquisitions as the most efficient way to establish a recent merger of Japanese direct efficient way to establish a recent merger moves—a factor leading them to establish a recent merger moves—a factor leading them to establish a recent merger may to establish a recent merger moves—a factor leading them to establish a recent merger moves—a factor leading them to establish a recent governmental running short, because of obstacles placed in the way of deteriorating trade relations, recent merger moves—a factor leading them to consider the recent governmental running short, because of obstacles placed in the way of deteriorating trade relations, recent merger moves—a factor leading them to consider corpo- that he and others think will relation to the relation of the efficient way to establish a US investment. relatively low-cost manufacturarea mean that, in these areas at ing base in the US.

and most acquisitions will be for strategic commercial commercial motives. Hostile takeovers are not the Japanese style either. Mr Richard Strickland, of Morgan Stanley, says: "The Japanese do not feel they have excess management capacity." This, and concern about potential social and other frictions. means that Japanese companies are more and more likely to

ple are predicting." The Japanese will also shy
For many Japanese com- away from depressed induspanies, the process of starting tries, or ones where they are likely to meet entrenched prob-lems such as difficult labour

investment. Fujitsu's even-tually-abandoned attempt to take 80 per cent of Fairchild Semiconductor from presence. The urgency is over-laid by a fear that a declining take 80 per cent of Fairchild dollar will soon price Japanese goods out of the US market, unless exporters establish a rulings in the financial services

Ing base in the U.S.

Investment bankers say the tread even more warily

Japanese are unlikely to lose

"The process of acquii "The process of acquisition is their reputation for caution as hard enough without introductive step up takeover activity. The US phenomenon of takeovers for purely financial likely to be restricted to a few reasons is unknown in Japan, areas, such as defence and finance, where the powers of the government are fairly broad," says Nomura's Mr broad," says Nomura's Mr Looney. "I do not see it exten-ding to every nook and cranny of

Much publicity has been given over the past year to Japanese investment in major real estate projects in large US cities. Cer-tainly, according to Simon Mildé, of the property agency Jones Lang Wootlon, "foreign leave American management in investment is probably a bigger

force in this market than it has ever been."

Overbuilding in many areas of the US, the economic downturn in South America, and the crash in oil prices, have made many areas unattractive for fore igners. But in prime commercial properties in five or six major cities—Boston, New York, Washington, Philadelphia, Los Angeles and now Chicago—foreign buyers, led by the Japanese predominate. "Taking the five major cities and looking back over the past year. I cannot think of any prime investment property, apart from develop-ments or refurbishments, that entity," says Mr Mildé.

Mr David G. Shulman, of Salomon Brothers, estimates that Japanese investors placed \$4bn in this market during 1986. That brought their total holdings to a mere \$5.5bn, he estimates, with a further \$3bn in development and construction projects.

The move by the Japanese, who are willing to accept lower yields than their US counterparts, has broadened the price parts, has broadened the price gap between prime and second-tier properties, a fact which, says Mr Richard Geraghty, of Cushman and Wakefield, is encouraging a broader look by foreign investors at the real state market in the US.

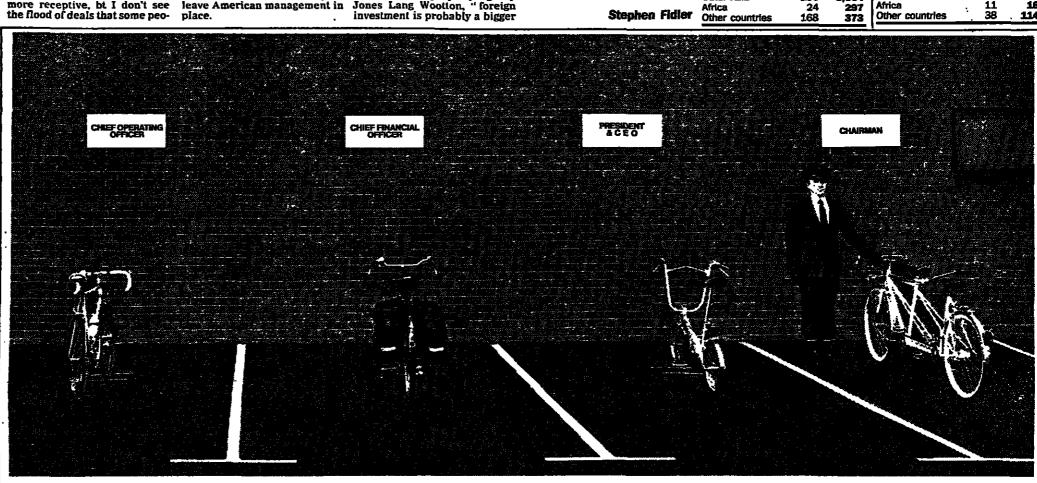
Stephen Fidler

	Transactions valued at								
	Total transactions	\$100m or more	\$1bn or more	Total value pald (\$bn)	Base				
1975	184	2	_	1.6	84				
1976	178	5		2.4	87				
1977	162	3	_	3.1	92				
1978	199	17		6.3	134				
1979	236	11		5.8	142				
1980	187	22	_	7.1	110				
1981	234	24	4	18.8	126				
1982	154	15		5.1	81				
1983	125	10	1	5.9	59				
1984	151	23	2	<b>15.1</b> .	85				
1985	197	21	3	10.9	80				
1986	264	51	3	24.5	156				

\* Base: Number of transactions disclosing purchase price.

Foreign im US stoc			Foreign po US bon		
-	1985	1986		1985_	1986
reign purchases reign sales et purchases or (sales) reign countries rrope ance emany stherlands itzerland (inada tin America & Caribbean	77,054 4,941	148,073 129,382 18,690 18,898 9,567 462 341 936 1,560 4,832 796 3,027	Foreign purchases Foreign sales Net purchases or (sales) Foreign countries Europe France Germany Netherlands Switzerland UK Canada Latin America & Caribbean	42,455 44,132 44,227 40,047 210 2,001 222 3,987 32,762 190 498	71,783 50,824 50,007 39,274 388 (251) 387 4,529 33,865 548
ddie East	238	975	Middle East Other Asia	(2,648)	(2,951) 11,537

Other countries



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We've heard of companies who didn't realize insolvency loomed until the Liquidator walked through the door.

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## Cautious investors see portents of a reversal

A DEGREE of nervousness has surfaced among investors since US stock markets abruptly went off the boil at the beginning of April But the fact remains that equities have performed specta-cularly well so far this year, in 1980 both value and volume and in new issue terms.

Given the markets' heady performance, analysts are more reluctant than usual to forecast what happens next. Pressed for a prognosis, most suggest that equities have notched up the bulk of their gains for this year and that only modest further rises can be expected. Few forecast an abrupt reversal, because their earlier attempts to pin-point the downward turn were regularly confounded by stock markets' ability to absorb bad news such as surging interest rates and the collapse of the

dollar and bond markets.

The rally started explosively at the turn of the year, once investors had completed a wave of tax-reform selling or shuffling of assets. Market indices rose like rockets in January as investors piled into stocks. The popular, but disputable, theory en was that stocks were the only game in town, because bond prices had stuck on a high plateau and low inflation minimised the attractiveness of other forms of investment.

Foreigners were in the thick of the buying as some of their home markets turned sour, in the case of West Germany, or very highly priced, in the case of Japan. In fact, several Japanese securities houses are forecas-ting that Japanese investors will buy \$20bn of US equities this year against only \$7bn in 1986. In total last year, foreign investors made net purchases of \$18.6bn of US equities against \$4.9bn in 1985.

Dow Jones

Mutual funds New sales\* (Sbn) (\$m) 104.7 4.6 122.0

287.5

952.1

750.9

1,642.8

2.801.1

\* New sales are for equity and balance oriented mutual funds compiled by The Investment Company

6.8

20.8

16.5

76.3

152.1

1982

1983

1984

1986

This year's upsurge is notable for its all-encompassing breadth, with most major meabreadth, with most major measures showing gains of around 25 per cent in the first three months. The Dow Jones Industrial Average peaked at the beginning of April at a gain of 27 per cent, but fell back to only a 20 per cent rise by mid-May. The Standard & Poor's 500 was up 25 per cent [19 per cent], the Americant per cent (19 per cent), the American Stock Exchange Composite 30 per cent (26 per cent), and the Nasdaq over-the-counter composite up 26 per cent (20 per

Last year's bull market was concentrated in the cream of the blue chips, with secondary stocks and those trading over the counter lagging badly. Thus, for example, the Dow Jones Industrial Average rose 22.5 per cent last year, while the S & P 500 added 14.6 per cent, the ASE composite 6.9 per cent and the Nasdaq Composite 7.3 per cent. Some of the best performing

sectors last year were tobaccos (up 55 per cent despite declin-ing sales and a wave of cancer victim law suits), pollution con-Standard & Poors

2500 Industrial

trol equipment (up 52 per cent). metal and glass containers (up 51 per cent), paper containers (up 45 per cent) and drugs (up 35

Out of the ranks of last year's worst performers came some of this year's leaders, such as computer, business equipment and communications equipment manufacturers and semiconductor and steel stocks. Rotation of leadership and a search for stocks that are relatively cheap compared with the whole mar-ket is a better explanation of

their current favour with inves-tors than any fundamental improvement in their outlook. Other laggards last year are long-term casualties, however. Offshore drillers, racked by low oil prices, suffered a 56 per cent decline in value last year. Hospital management com-panies, squeezed by over-capacity and ever-more cost-con-scious insurers, fell 21 per cent.

Generally, though, a brighter earnings outlook for the bulk of US companies has helped to fuel this year's rally. Earlier forecasts of a profits rise of about 5 per cent were quickly overtaken by sparkling first quarter results that showed earnings growth of about 15 to 18 per cent. This has helped restore a little credibility to price/earnings ratios in the stock market, which have zoomed up to about record levels of around 20 to 1.

A flood of stock offerings last

year and this have given investors plenty of scope for new targets, and more than made up for the stocks lost through takefor the stocks lost through takeovers and share buy-backs. Last
year saw a record 955 new
issues, worth \$25.8hn, which
smashed the previous record of
863m issues, worth \$12.6bu set
in 1983. The leading underwriters were Merrill Lynch (2.3bn),
Goldman Sachs (\$1.7bn) and
Drexel Burnham Lambert
(\$1.6bn). The pace hotted up in
the first quarter with \$11.5bn of
new issues, a 32 per cent rise
from a year earlier.
One sign of the froth on the

One sign of the froth on the top of a bull market was the upsurge in penny stocks, with 187 issues of less than \$1 a share, raising a total \$212m last year. Size was no insurance, however, against disappoint-ment. Some of the biggest issues, such as Enley Group and Coca Cola Enterprises, are struggling to stay ahead of their flotation price.
A lot of the spice in last year's

markets came from take-overs, leveraged buy-outs and other forms of corporate restructuring deals, which totalled \$275bn, against \$235bn a year



Just for a while, the only game in town

Despite making headlines and generating liquidity, which shareholders could redeploy in other stocks, these deals accounted for only a fraction of last year's gains. Salomon Brothers calculated that only 44 percentage points of the S&P 500's 146 per cent rise last year was attributable to them. The volume of such deals so far this year is a mere shadow of last

Their activity focused a harsh spotlight on Wall Street, however, as a widening circle of run yet, are likely to damage further Wall Street's reputation.

Come August, the bull market will celebrate its fifth anniversary. It is now the longest running ever without serious correction, and inves-tors have become noticeably more cautious since it backed down from its peak levels in early April. Many advisers are recommending a heavier weighting of cash in portfolios, and selected profit-taking.

A number of signals point to insider traders, arbitrageurs the possibility of a sharp reverand other parties involved in the market of signals point to the possibility of a sharp reverand other parties involved in sal sometime soon. Utilities, them were charged following which have always peaked the downfall of Mr Ivan Boesky, ahead of industrials, are now the arbitrage king. Investigations, which have a long way to year levels of around 4 per cent;

about 20 per cent—the ratio of share price to book value is now 2.5-to-1 compared, for example, with only 1.64-to-1 when the market peaked in 1973-and dividend yields are at an all-

In structural terms, US stock markets have handled well the surge of trading activity, which pushed New York Stock Exchange daily volume up 26 per cent to an average of 185.8m shares in January to April, from 147.4m in the same period a year earlier. The old record for most shares in a day was bettered by a fifth on January 23, when 302.5m shares were crossed.

time low of 29 per cent.

OZEM shares were crossed. and is conducting its own The burgeoning growth of investigations.

while industrials are still up programme trades has become a about 20 per cent—the ratio of controversial aspect of stock market activity, through which players try to profit from arbitraging between stock index futures and baskets of the underlying shares. The programmes have been blamed for exacerbating the market's rise or fall on those occasional days when investor sentiment takes a

dramatic turn. The Securities and Exchange Commission study found that they were only a minor contributing factor in spectacular days such as last September 11 and 12, but the New York Stock was bought recently for a record Exchange is not quite so sure \$1m.

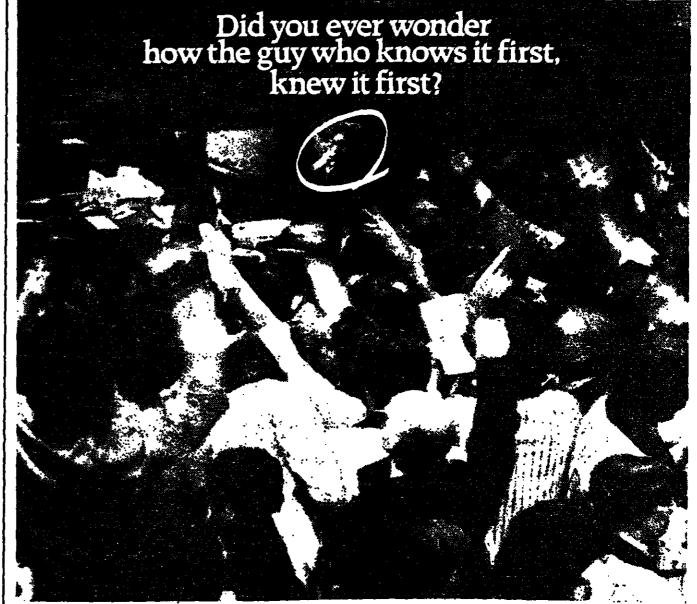
Few dispute the value of the rapidly growing use of stock index futures as a way for inves-tors to buy or sell stakes in the broad market as a holding move. while they go through the time-consuming process of trading blocks of individual stocks.

While the outlook for stock markets is cloudy in investment terms, the view of them as a business continues to look heal-thy. Innovations in futures and options derivatives of equities, plus globalisation of markets, appear to auger well. One sign of the optimism is that a seat on the New York Stock Exchange

Roderick Oram

47





One senior government securities trader found out in a hurry.

He asked for a demonstration of Knight-Ridder's MoneyCenter. As he glanced at the screen up popped an exclusive bulletin on new OPEC developments. He grabbed a phone and in a quick trade made tens of thousands of dollars in less than a minute. Even before he bought the service.

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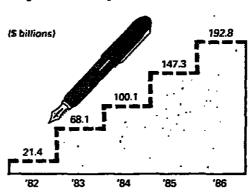
What's behind this new name?

One of the most dynamic financial services and specialty retailing firms in the U.S.A.

ನಿವಿಧಕಗಳ ವಿಷ

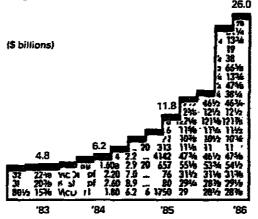
Last year, when American Can sold its packaging business, the 86-year-old name went with it.

We are now Primerica Corporation, following one of the most successful restructurings ever of a major U.S. corporation.



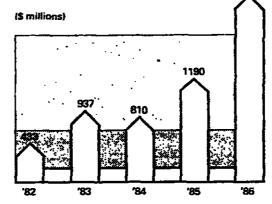
In 1986, life insurance in force of Primerica's insurance subsidiaries rose 31% to 8193 billion.

Primerica (pronounced pry-MER-i-ca) is engaged in financial services and specialty retailing, where we have strong market positions, excellent growth potential and the resources to fund our expansion.



Primerica's investment advisory operations more than doubled their assets under management in 1986, to \$26 billion, through growth and acquisitions. We are a company whose earnings have grown substantially for four consecutive years and whose common stock value has more than tripled since 1982.

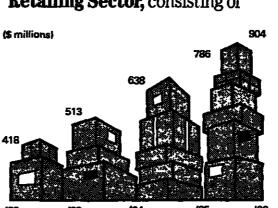
Primerica's Financial
Services Sector, providing life
insurance, asset management and
mortgage banking services, was
created in 1982. By 1986 it had
grown to \$1.5 billion in revenues
and \$287 million in operating
income.



Loan originations of Primerica's mortgage banking unit doubled to \$2.5 billion in 1986.

For three straight years,
Primerica subsidiaries have sold
more face amount of individual life
insurance than any other company.
Our investment advisory operations more than doubled their
assets under management last
year through growth and acquisitions. And our mortgage banking
subsidiary is one of the nation's
largest providers of single family
home mortgages, with \$2.5 billion
in loan originations.

Primerica's Specialty
Retailing Sector, consisting of

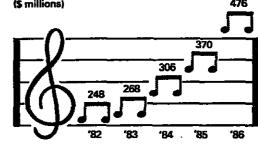


Primerica's revenues from direct mail marketing increased 15% to \$904 million in 1986

direct mail marketing and specialty stores, also achieved impressive results in 1986. Revenues grew to \$1.4 billion, and operating income rose to \$111 million.

We are one of the largest direct mail marketers in the U.S., growing at a 20 percent annual compound rate—twice the industry average. With more than 525 stores nationwide, we are also the largest retailer of recorded music and audio/video products in the country.

At Primerica there's no such thing as "business as usual." We're continually looking for opportunities to leverage our financial strength and marketing expertise, and to provide rewards for our shareholders. Primerica. A name to remember.



Specialty store revenues were up 29% last year to \$476 million, aided by the expansion of The Musicland Group.

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Securitisation

## Why commercial banks look for liberalisation

THE NEW ability of investment original lender. Thus, Bank of securities firms, remains imhanks to create securities out of loans presents the greatest challenge to the established finan-cial order since the Great De-

pression.
It is a challenge of which many commercial bankers and policymakers have only recently become aware, and with which the current regulatory environment may well be illequipped to handle.

"The potential opportunities and difficulties from securitised credit are so great, and the revolution fomenting in the structure of banking is so enormous, that the way we manage the financial part of our economy may become obsolete,

nomy may become obsolet, says Mr Lowell Bryan, a director of McKinsey and Company, a financial consultancy.

"Depending on how it evolves, securitised credit could rescue our shaky credit system or make it worse." he vrote this year in the Harvard Business Review.

He estimates that about half the debt in the US economy is currently raised through securities, but says the figure could rise to 80 per cent in the next decade, making further significant inroads into traditional bank lending.

What was once the domain of the banks and thrift institu-tions—business and personal loans-is being taken over by

the securities industry.
Some \$600m of mortgage-backed securities are already outstanding. Some \$12bn of securities have been issued to back car loans, credit card and leasing receivables, a figure widely predicted to

rise to \$100bn in a few years. These asset-backed securities have allowed issuers to reduce the size of their balance sheet, to improve their liquidity and to pass on credit and funding risks

Funding costs have been lowered for many issuers since many receivables, such as those often a better risk than the

America can only command a BBB rating from the rating agency Standard & Poor's, but the trust it formed in order to securitise its credit card receivables won a prime AAA rating.

For investors, the securities allow them to obtain higher yields without sacrificing credit quality. This higher yield is the investors' compensation for the risk that the bonds may be prepaid. (Since they represent a collection of individual financings, repayment of principal is not predictable with absolute certainty.)

If higher yields and the need for improved performance among fund managers have provided the impetus to growth in securitised credit, computer technology has enabled it to occur. "Analysis of how these securities perform is very soft-ware-intensive," says Mr Michael Mortara, head of mortgage securities trading at Salo-mon Brothers.

The complexity of the deals and the time required to become an issuer seems to have meant, however, that the pace of securitisation has been slower than many expected. "Cost-ben-efit analysis would say that, unless you are going to be involved in a regular prog-ramme, then it is not worth the effort," says Mr John Zacamy, of Morgan Stanley.

Nevertheless, securitisation is causing concern in many areas, not least among the commercial bankers who see themsives shut out of a sector of the financial markets in which they used to predominate by outmoded legislation.

For this reason, the debate over abolition of the Glass-Steagall Act, the legacy of the 1929 Wall Street crash, which separates commercial banks from the securities business, has taken on a new urgency. The Securities Industries Association, representing the

Commercial paper outstanding (\$m) financial financia! related companies companie issuers papers 45.183 241.813 171.335 70,478 1985 45.024 1985 246,232 174.507 71.725 45.638 1985 247,603 176.812 70.791 75,322 1985 255.913 180,591 44,585 45,421 1985 259,253 181,645 77,608 45,505 259,571 43,310 265,863 187,473 78.390 1985 1985 271.857 194,407 77.450 45.062 77,399 45,557 1985 278,386 200,987 Oct. 1985 283,464 199.531 83,933 44,647 1985 292.023 205.886 86.137 43,459 Nov. 1985 293,909 213,739 80.170 46,380 Dec. 1986 297,704 212.097 85.607 38,828 Jan. 38.423 1986 297,423 213,590 83.833 38.361 1986 298,885 218,742 80,143 39,355 1986 300,309 221,789 78.520 1986 230,276 80,088 40,584 310,364 May 314,598 234,938 79,660 41,715 June 1986 81,258 40,839 1986 313,976 232,718 July 1986 83,150 42,204 Aug. 322,648 239,498 1986 326.967 243,295 83,672 39,435 1986 329,955 244,066 85,889 41,129 Oct. 1986 243,300 83,236 41,241 326,536 Nav. 1986 252,899 43,125 325,948 73,049 Dec 47.370 Jan. 1987 333,719 257.734 75.985 Feb. 1987 337,325 263,186 74.139 47.896

262,702

74,431

placably opposed to a further liberalisation for the commercial banks, but its case has not been helped by the recent insider trading scandals which have plagued its members.

Recent rulings allowing banks to underwrite issues in the rapidly growing commercial paper market are the latest of a series which has led to a gradual erosion of Glass-Steagall, and banks can now deal in an estimated 80 per cent of securities issued in the US. But senior bankers argue that, if the whole of the Glass-Steagall apparatus is not dismantled, US commercial banks are destined to take an ever-shrinking role in the US economy.

The President of Chemical believes that barriers between investment and commercial banking must be broken down The only alternative to this is the continuing erosion of com mercial bank profitability," he

One consequence of this would be that banks would no longer play an important role in the US financial system. More important, with banks out of the running, US securities firms might not be strong enough to compete in worldwide markets. and this would be another area where the US would have to cede economic hegemony to the

"This is now an important public policy issue," he says.

Mr Bryan, of McKinsey and
Company, agrees. "If you
extrapolate the developments
of the past few years into the
mid-1990s, it is possible to envisage a few investment banks hav ing more power over the eco-nomy than anyone since the days of J. P. Morgan."

The potential problem for the conventional lending institutions—the banks and thrifts—is more than a matter of being bypassed by securitisation. It is that the process can undermine their own, in some cases already weak, balance sheets.

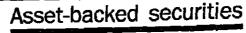
For when they securitise their loan portfolios, it is not the but the highest-quality loans that are securitised. The nature of asset-backed securities also concentrates their risk, through the process of over-collateralisation.

A \$200m issue of packaged credit-card receivable is typically supported by \$220m in loans, with the excess to account for bad debts and to ensure credit quality. All bad debts accrue to the extra \$20m. to which the bank and only the of Morgan Stanley.

The process of securitising loans also puts heavy re-sponsibility on the investment banks which are packaging the When a bank makes a loan

and holds it to maturity, it lives with the consequences of a bad or good decision. Under the new regime, a firm is not necessarily exposed to the securities it brings to market. As price com-petition in the asset-backed securities market heats up, as it almost inevitably will, the likelihood that some firms will try to cut corners will increase the danger of a financial acci-dent, which may put the secur-itisation process into reverse.

Stephen Fidler



# New instruments need careful thought

ing mortgage-backed securities at Merrill Lynch earlier this year have underlined dramatically the extent to which financial innovation has taken the

securities market into uncharted territory.

The losses, which trained a spotlight on to a little understood area of the securities market, have called far more into question than the internal controls in one department of a Wall Street firm. Along with the radical reassessment over the last six months of the market in perpetual floating rate notes, the losses are perhaps the most important signal of the dangers of misunderstanding the mis-valuing the myriad of new instruments being created by securities firms.

Mortgage-backed securities yield more than Treasury bonds

of an equivalent maturity, because investors require a premium to compensate them for the uncertainty surrounding prepayment of the underlying mortgages. When interest rates mortgages. When interest rates fall, for example, people refinance their mortgages at lower interest rates, leaving the holder of the mortgage-backed securities the problem of reinvesting the prepaid funds at a lower level of interest rates.

Prepayment risks can be exaggerated when the cash flows from interest and principal repayments are separated.

pal repayments are separated. Some \$10bn of mortgage securities are estimated to have been split into interest-only (10) and principal-only (PO) elements.

been stacking up the POs on its own book. When interest rates started to climb in March, the ance of these securities is not a

mortgage securities expert. The behaviour is occasionally problem was worsened for Mer-unpredictable; and secondly rill as the market's liquidity, that the cash flows from these such as it was, vanished. suggest there was more to the ber of ways.

"Our ability to innovate sometimes exceeds our ability

Merrill had been successful in to understand," said Mr John selling IOs to investors, but had Zacamy, managing director at been stacking up the POs on its Morgan Stanley. Intuition as to the perform-

started to climb in March, the value of its PO portfolio, built to to fhelp. Mr Michael Mortara, up apparently unbeknown to senior management, was devastated. The yield spread of POs over the equivalent US Treasury bond widened from 50-75 basis points to 400-500.

"The market view of their value changed and everybody that underlying all these securities are individuals whose mortgage securities expert. The uch as it was, vanished. individuals can now be carved the extent of Merrill's losses up into an almost limitless num-

issue than merely guessing the market wrong: there did not appear to be a full understanding of the risks of holding POs.

"Seemingly similar instruments may have radically different performance profiles and intrinsic values," said resear-"Seemingly similar instru- the majority of yield curve," chers into mortgage securities at First Boston.

at First Boston.
Of the \$2.3 trillion (million million) of outstanding residential mortgages in the US, about \$540bn. or 23 per cent, have been securilised. Of this, an estimated \$75bn have been issued as so-called collateralised mortgage obligations (CMOs). Cash flows from conventional mortgages—called pass-throughs, because investors receive interest and principal in the proportions paid by the mortgagee—are rearranged into different classes. A typical CMO will have four or five tranches, each with different maturities and performance characteristics.

other words, most investors do not want long-maturity assets. In a recent development, new tax rules have cleared the way for real estate mortgage investment conduits (REMICs), which allow for active management of cash flows.

The problem with CMOs is that their nature makes them generally illiquid. Probably about 2.000 different CMO about 2,000 different CMO classes exist, varying in maturity and underlying collateral. "People should not be buying CMOs as a trading vehicle," said Morgan Stanley's Mr Zacamy. However, liquidity does not seem to be a problem in a new market which is an offshoot of

the mortgage securities business-that in so-called asset-backed securities. Here, cash "With the conventional flows from obligations other instruments, we weren't hitting than mortgages are packaged as

non Brothers' trading floor: managing director Michael Mortara regards the securitising of mortgages as securities. It's a market that said Salomon's Mr Mortara. In Standard and Poors estimates could be worth \$100bn in five years' time.

Issuance of these securities was cleared late in 1983 by a ruling from the Financial Accounting Standards Board, known as FASB 77. This permitted the teacher of the securities an entity ted, for the first time, an entity to sell assets with recourse, and still treat the transaction as a sale which would remove the assets from its books. Federal regulators would not allow this treatment for banks, an obstacle surmounted later using dif-

ferent methods. Some \$1.2bn of such securities were issued in 1985, rising to \$10bn in 1986. In the first quar-ter of 1987, the pace of issuance had slowed, and only \$800m of such securities were issued. In addition, a total of \$4.5bn of asset-backed commercial paper Continued on page 8

Profile: Howard Stein

## A musical bear who revels in problems

HOWARD STEIN, the 61-year- and has some 90 funds in its old chief executive of the money management stable.

Dreyfus Corporation, one of the Its net income has jumped biggest and most profitable US from \$3m 10 years ago to \$80.6m mutual fund managers, is a last year. Dreyfus has over natural bear in an industry \$500m cash in the bank, manwhich is booming.

bank is exposed. "The banks own all the risk and have conown all the risk and have conomegated it savs Mr Zacamy, and difficulties in the financial talisation of \$1.4bn. Its returns
on equity while less than some and difficulties in the financial talisation of \$1.4bn. Its returns markets. He says that he rather on equity, while less than some enjoyed the mid-1970s, when the of its rivals, would make any US mutual fund industry was collapsing and fashionable investment concepts, such as buying the "nifty fifty" growth shares, designed to simplify the investwere shown to be useless. That ment choices of the small investors a time when Dreyfus, one of the preat names in the US now far more mutual funds than make its mark.

business, just as inflation started to take off, and attracted billions of dollars of deposits, industry.

In 1982 Dreyfus bought a small bank and began to apply its own brand of money management to the lending side of the balance sheet with phenomenal success. Profits of the Dreyfus consumer bank have jumped from \$182,000 to \$6.8m since 1984.

"We have \$2m in capital and make over \$6m in profit. There is not a bank in the world that makes that sort of profit," says Howard Stein, who, along with men like Fidelity's Ned Johnson and Vanguard's John Bogle, is considered to be one of the doyens of the fastest growing sector of the US financial services industry.

Over the past five years the number of mutual funds has more than doubled, and total assets has risen from under \$300bn to well over \$800bn. More than \$1bn a day of new money is pouring into the industry, and new investment pro-ducts are proliferating to match the seemingly insatiable

in the meteoric growth. When Howard Stein, who had started times in the mutual fund indusout in life studying the violin at try have attracted a lot of play-New York's famous Julliard ers who are lured by the dreamwere limited to one fund. Today led to a lowering of general it employs more than 1.000 staff business standards.

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which is booming.

He admits to being much hap
ages over \$40bn of money for 1½m of mainly small customers,

the great names in the US now far more mutual funds than mutual fund industry, could there are stocks listed on the New York Stock Exchange. The famous Dreyfus Lion led Howard Stein firmly believes the mutual fund industry charge that the massive increase in the into the money market fund number of mutual funds is a retrograde step.

" You have all those funds out there, and it has become as commuch to the chagrin of the plicated for a small investor as highly-regulated US banking picking securities 10 to 15 years ago," says Mr Stein, However, it is clear that his comments are not just altruistic. During the early 1970s Dreyfus was one of the leading fund managers, pushing its funds with "no load" or commission, in order to keep costs to a minimum.

With the proliferation of new and complicated funds, the so-called "load funds," which are sold through brokers who take a commission, have mushroomed. The small investor has found that it is necessary to pay the commissions for help in choosing the right fund, and today around three-quarters of all mutual funds are sold via brokers, whereas the share of "no load" funds has shrunk to a quarter of new sales volume.

As a result, Dreyfus's market share has dropped from 9.2 per cent in 1981 to 5.3 per cent last year; while the share of more aggressive rivals, like Fidelity and Franklin, has risen sharply. Dreyfus has found itself being forced into offering new funds with sales charges, but Howard Stein continues to stress the need for simplicity in the new Dreyfus, along with the rest of he industry, has been basking ing to market.

He believes that the boom School, began managing the like profit margins. The general original Dreyfus fund in the deregulation of the financial mid-1950s, it had assets of just services industry has also \$2m. Until 1969, its activities encouraged new entrants and

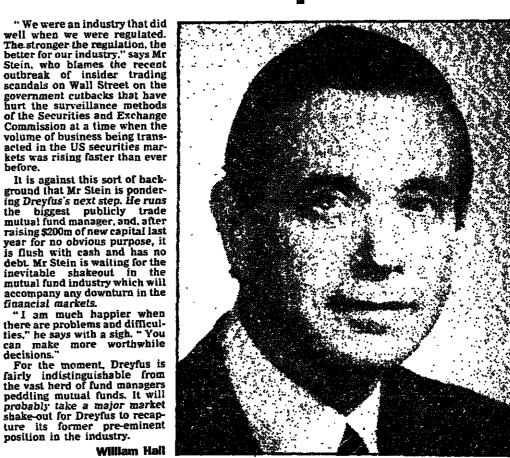
better for our industry." says Mr Stein, who blames the recent scandals on Wall Street on the government cutbacks that have hurt the surveillance methods of the Securities Commission at a time when the volume of business being transkets was rising faster than ever It is against this sort of background that Mr Stein is pondering Dreyfus's next step. He runs

the biggest publicly trade mutual fund manager, and, after raising \$200m of new capital last year for no obvious purpose, it is flush with cash and has no debt. Mr Stein is waiting for the inevitable shakeout in the mutual fund industry which will accompany any downturn in the financial markets.

"I am much happier when there are problems and difficulties," he says with a sigh, "You can make more worthwhile decisions."

For the moment, Dreyfus is fairly indistinguishable from the vast herd of fund managers peddling mutual funds. It probably take a major market shake-out for Dreyfus to recapture its former pre-eminent position in the industry.

William Hall



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ital infusion of \$3.9 million works to satisfy the demands of a fast-growing consumer public.

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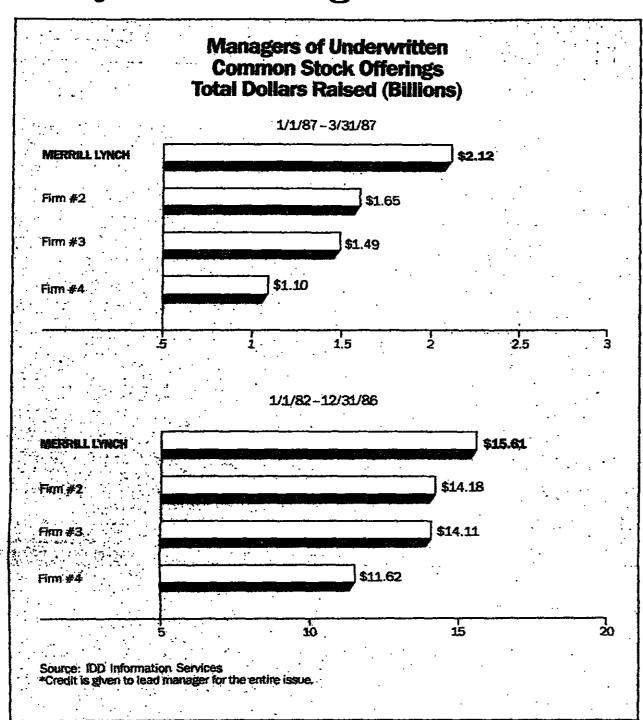
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Most actively traded contracts

Contract (exchange

S&P 500 (CME)

1985 volume (in thousands

of contracts)

19.505

17,314

## **US FINANCE AND INVESTMENT 8**

## New instruments require thought

New York Mercantile Exchange got an oil-fuelled boost

The slowdown can largely be attributed to one factor: reduced issuance by General Motors Acceptance Corporation (CMAC), the automobile giant's financing subsidiary that is the dominant issuer. GMAC accounts for over 60 per cent of the market, having issued more than \$8bn in packaged car loans, but its reduced profile is regarded by many as healthy for the market's development.

"This year we expect there will be an awful lot of banks and finance institutions in the market," said Mrs Diana Strickler, a vice president in the asset finance division of First Boston, the firm which has brought a huge 86 per cent of such asset-backed deals to market.

considering following the examissuing securities backed by credit card receivables, for

Asset-backed securities can be constructed as simple passthroughs, or cash flows can be reconfigured as they are for CMOs. Just as in the conventio-nal mortgage securities, assetbacked paper generally has

has been rated by the major high credit quality, a standar-rating agencies.
The slowdown can largely be liquidity.

But, to certain investors, asset-backed paper has further advantages. Some of these are conferred by the securities' shorter maturity, an average life of 1.5-to-two years and a final maturity of five years, compared with final maturities in 15 or 30 years in the mortgage-backed market. Research has also shown that the pre-payment risk for securities backing car loans or credit cards is much lower than for mortgages. Simply speaking, people do not con-sider it worthwhile to refinance a car loan when interest rates fall. This makes the behaviour of these bonds more similar to straight corporate debt than to mortgage debt.

acked deals to market.

Almost any contractual cash
Many commercial banks are flow is packageable in this way, and there is a potential spec-trum of instruments, from those that look very much like corporate bonds to those that seem very close to equity (for exam-ple, the packaging of future receivables from electricity bills, which would depend on the future ability of a utility to

Stephen Fidler



T-bend Options (CBOT) Eurodollars (CME) 8,400 Gold (COMEX) Crude Oil (NYMEX) 6.582 6,160 Deutsche Mark (CME) Corn (CBOT) Soyabeans (CBOT) Swiss Francs (CME) Live cattle (CME) T-Notes (CBOT) 4,426 Japanese yen (CME) Silver 5000 oz. (COMEX) Sugar No. 11 (CSCE) 3,970 3,850 3,584 3,275 Heating of No. 2 (NYMEX) Soyahean oil (ENT)
NYSE Composite Index (NYFE)
Soyahean Meal (CBOT)
British Pounds (CME) Deutsche Mark Options (CME) Wheat (CBOT) Live hogs (CME) S&P 508 Options (CME)

Copper (COMEX)

Futures and options

## Out of the backwaters, into the mainstream

THE REMARKABLE growth rate that the US futures and options sector has enjoyed, since trading in financial instrument derivatives began in earnest in the 1970s, shows no sien of abating.

In 1986, the three huge Chicago exchanges each registered volume that was over 20 per cent up on the previous year, with the busiest contract of all—the Chicago Board Options Exchange's S & P 100 Stock

Exchange's S & P 100 Stock Index option—trading an amazing 113.2m lots.

The smaller New York Mercantile Exchange, fuelled by volatility in world crude oil markets, boosted volume by almost 89 per cent to 14.8m lots. The growth rate of over-the-counter futures looks like procounter futures look-alike pro-ducts, meanwhile, is reckoned by some observers to exceed even these impressive figures. exchanges—not so long ago Grant, president of Refco, the Only New York's Commodity agricultural backwaters—into world's largest futures commis-Exchange Inc, of the major the mainstream of domestic and sion merchant. People are recdomestic exchanges, has cause global capital market evolution. ognising that to own the cash to look back on last year with anything less than satisfaction. It suffered a marginal volume decline, despite a spasmo-dically bullish underlying gold

history. Further volume hikes, par-

this sustained financial instru-ment based expansion has been "The markets tend to go ment based expansion has been to bring the major futures together," according to Mr Tone together, according to Mr Tone Grant, president of Refco, the This is partly because Wall

This is partly because Wall

Street and Wacker Drive are increasingly playing with the you can use futures and options same chips—with the volume of business in the most liquid futures contracts, moreover, not

Other an expanding range of much more complex . . and tailor-made risk management therefore will provide tailor-made risk management therefore will provide to their own customers, opportunities for a longer safe in the knowledge that they period of time," wrote Mr John will be able to hedge their concomitant exposure on the trade publication Intermarket recently. futures contracts, moreover, not

while first quarter 1987 infrequently eclipsing that of volume levels will have prompted some headaches at the Chicago Board of Trade—due to the uncharacteristic and potentially ruinous silence which frequently descends on its flagship US Treasury bond futures and options pits—the exchange bounced back in April, a month which included nine of the top 10 volume days in its 139-year history.

Further volume hikes, par-

rurther volume files, particularly at the Chicago
exchange, are expected in the
wake of the Japanese Ministry
of Finance's recent decision to
allow major Japanese institutions to trade for their own
account on overseas exchanges.
One of the main side effects of
One of the main side effects of
Districtioned financial inserts.

seamless 24-hour markets.

CBOT and its progeny, the CBOE, are discussing a range of new products to be traded by improved access which new members of both exchanges.

also opening up opportunities for the most sophisticated

inter-relationship between cash and derivatives markets, US exchanges are beginning to explore the possibility of links with each other, and of jointly traded products; just as they are forging ties with direct competitors overseas in a bid to create seamless 24-hour markets.

Programme trading—whereby are to capitalise on short-term discrepancies while, a veritable menagerie of over-the-counter futures look-atike products is being developed by the most creative securities houses, to cater for an increasingly diverse range of in the knowledge that the prein the knowledge that the preseamless 24-hour markets. In November, the CME and the New York Stock Exchange set up a high-level task force to examine a wide range of possible collaborative measures. This was followed by the announcement in May that the CROT and its property the

members of both exchanges.

The exceptional liquidity of a growing number of exchange-traded futures and options is also opening up opportunities and proliferate.

"Unlike the exchange users to: (a) profit between like instruments in the from increasingly complex futures and options markets, the arbitrage strategies; and (b) new global arbitrage will be offer an expanding range of much more complex . . and failon-made risk paragraphs.

risk management requirements. Usually imbued with disarmingly catchy names (Foxes, Quantos, Spelbonds, Caps, Range forwards . . .) they pre-sent the likes of banks, corpora-tions and fund managers with a dizzying array of tailor-made

As the use of speculative and hedging strategies exploiting the interplay between cash and derivatives markets continues to spread, so futures and options will be drawn still farther into the financial main stream. Chances are, the recent tentative steps towards links between US exchanges, whose main expertise lies in different sectors of the securities and futures and options markets, represent merely the tip of the proverbial iceberg.

risk management tools.

However, and the second of the



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## How the fall came in spring

March, US credit markets swing viciously from benign torpidity to dangerous volatility, as investors suddenly saw the threat of higher interest and inflation rates, a far lower dollar and intensifying trade wars.

Most desiers welcomed plunging prices as an opportunity to trade, but the suspicion is rampant on Wall Street that some firms took heavy losses which

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David Ower

firms took heavy losses which will underent their second quarter results. So far only Merrill Lynch has revealed the extent of the damage, saying it would take a \$275 pre-tax loss on trading of mortgaged-backed securities.

The debacle was triggered by The debacie was triggered by Washington's announcement that it was imposing swingeing sanctions against Japan for its alleged failure to curb the sharp trade practices of Japanese semiconductor makers. Fears of a trade war sent the dollar spinnig downwards and interest rates soaring.

Just when a semblance of calm was restored on the international side, soaring commod-

calm was restored on the inter-national side, soaring commod-ities futures prices unleashed exaggerated fears of sharply higher inflation in the US, which prompted another wave of bond selling.

Observers judged the rout of credit markets in the eight weeks to late May as one of their sharpest reversals since the second oil crisis in 1979. The purice, for example, of 714 per

price, for example, of 7½ per cent, 30-year bonds fell some 17 points as their yield rose from 7.50 per cent to more than 9 per

Even bigger setbacks were suffered in securities which were relatively new and imperfectly understood, or which had been changed significantly by last year's US tax reform. Merrill blamed its losses on unauthorised trading in mortgage-backed securities by reform. Merrill blamed its losses on unauthorised trading in markets had sat through an employee, but other factors disinclined to trade bonds were at work. The securities because it looked as though the period of difficult trading in which miscalculations will be expensive.

Meanwhile, the roll call of players is changing. Commer-

All domestic bond underwritings/ domestic debt underwritings

	Amount (\$bn)	Revenue (\$m)	Corporate (\$bn)	Municipal (\$bn)
1980	89.7	924.5	41.3	48.4
1981	88.2	1,144.0	40.5	47.7
1982	122.2	1,987.9	43.9	78.3
1983	137.9	2,786.9	52.2	85.7
1984	198.2	2,457.8	69.4	128.8
1985	348.2	3,501.9	104.9	243.3
1986	389.6	4,566.3	228.4	161.2

some \$200bn of paper to the \$2,100bn government bond and

note market.
To make matters worse, retail

activity fell back more drama-tically, leaving dealers to trade among themselves. Price volatility sank to its lowest level

in a decade, and a daily move-ment of more than a point

became a rarity.

Credit markets are unlikely to sink into so deep a stupor for a long time. Volatility came back with a vengeance, and is likely

to stay. US interest rates look as though they are heading higher.

but investors will not be big buyers of bonds until they believe that interest, inflation and foreign exchange rates have stabilised. All in all, credit market players face a protracted period of difficult trading in which miscal-values are in the process of th

had been separated into allinterest and all-principal
instruments, with the latter proving hard to sell and subject to
even steeper price falls than
traditional securities.

Wall Street tends to confuse
size with maturity when it
comes to products and markets.
With some \$300bn of mortgagedbacked securities issued so far,
the market is considered
relatively mature, but the
hedges remain imperfect and
hedges remain imperfect and
the behaviour of the securities
in certain unusual circum
US economy was stuck in a low
growth/low interest rate rut.
Consequently, bond prices
remained on the high plateau
they had reached during last
year's spring rally.

At its quietest level, in midMarch, bond trading was down
the average level of the
privacy quality and the privacy dealers had risen to 40
privacy for the proving was stuck in a low
they had reached during last
year's spring rally.

At its quietest level, in midmarch, bond trading was down
the average level of the
previous year, and down 35 per
cent from the year-earlier rally,
even though the number of
privacy for the privacy of the securities of the secur comes to products and markets. With some \$300bn of mortgaged-backed securities issued so far, the market is considered relatively mature, but the hedges remain imperfect and the behaviour of the securities in certain unusual circumstances is not fully understood.

In other example, municipal bonds were hit far harder than treasuries, because of the changed structure of their marthet. One indication of their pre-dicament was that the price spread between municipal and treasury bond futures fell in two treasury bond futures fell in two weeks up to mid-April from a premium of 4s of a point to a discount of 4s points ad are recovering only slowly. Until tax reform, commercial banks had been the buyers of last resort, but now virtually the only customers for long-dated municiupals are open-ended mutual funds. These, however, were swamped by net redemptions as the markets turned down.

down.

ably into territory once pre-served by the Glass-Steagall Act for investment banks, although

cial banks are moving inexor-

they are having to fight hard for each new concession.

The foreign involvement grows apace as well. Late last year the Federal Reserve conferred its coveted primary dealer for the first time on language firms Nomura Serve. Japanese firms, Nomura Securities and Daiwa. A third, the Industrial Bank of Japan, won it indirectly when its J. Henry Schroder subsidiary took over Aubrey C. Lenston Aubrey G. Lanston.

The door slammed shut soon afterwards, however, when other Japanese organisations tried to push deeper into US markets. The long term credit bank got a stony response when it tried to take over one of the two remaining independent dealers, and several Japanese trust companies continue to suf-fer long delays in their applicafer long delays in their applications for New York licences. The Fed says it is merely exercising prudence by asking lots of questions. But, to the Japanese, it looks like pressure to open further their domestic markets to foreign firms.

Those Japanese firms already established are rapidly

established are rapidly broadening their activities out from the government securities business into, for example, corporate bond issues. Las autumn. Nomura became the first foreign firm to be sole underwriter on a US corporate bond issue, when it brought a General Electric issue to mar ket on terms criticised by domestic competitors for their

extreme fineness.
Although it will take Japanese firms a few more years to make a significant dent in the business of US competitors, the trend is clear: the rewards for doing business in US credit markets are being squeezed by increasing competition, even as the risks from volatility and new products are growing.

Roderick Oram

### Junk bonds

## A questionable middle age

IT IS 10 years since Drexel Burnham Lambert launched a revolution in US corporate finance by underwriting and trading new issues of blatantly

low-grade corporate debt.
In that 10 years the market for
"junk bonds," as everybody but
Drexel Burnham knows this
debt, has transformed the ability of small and medium-sized companies to raise long-term finance. Whole industries, such \$125bn in junk bonds outstanding, the market is settling down to middle age.

But it is not a respectable middle age. Even before Mr Ivan Boesky, the disgraced arbitrageur, denounced Drexel Burnham and its junk bond archite are not of his place. operation as part of his plea-bargaining with the Securities and Exchange Commission and criminal prosecutors, junk bonds were highly controver-

The bonds squeezed out the banks and the life insurance companies that held mid-sized companies captive for their longer term money for much of the 1970s. Once investors had gained a taste for high-yielding and high-risk paper, junk bonds could be issued for takeovers and buy-outs, allowing newcom-ers to compete for the control of corporations. Above all, the bonds turned Drexel Burnham into the most powerful and pro-fitable firm on Wall Street, which is never nice for competi-

The rumours about Drexel Burnham have confirmed much of corporate America, some politicians and conservative financiers in their opposition to junk bonds. Wall Street, as is its wont, has used the opportunity to gnaw at Drexel Burnham's pre-eminent position in a highly profitable market. But whatever the present to the firm, junk bonds happens to the firm, junk bonds

happens to the firm, junk bonds are here to stay.

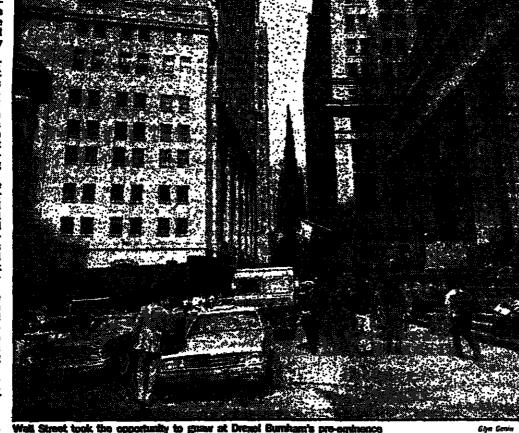
In a sense, Drexel Burnham and its chief junk trader, Mr Michael Milkan, merely rediscovered the junk bond. As currently defined, a junk bond is a security rated as below investment grade by the two rating agencies—Standard & Poor's, and Moody's—and yielding a minimum of 200 to 250 basis points (2 to 2.5 per cent) over the yield on Treasury bonds.

yield on Treasury bonds.
Companies try to maintain
an investment-grade rating
because many institutions, such as insurance companies or pen-sion funds, may not, or will not, sion minos, may be of which invest in lower-grade bonds. Companies are typically denied investment-grade ratings if their financial ratios—such as the content of the cover—signature o debt/equity or interest cover—if their asset quality or their lack or track record raises questions about their ability to pay bondholders.

The issue of new junk bonds vas popular in the 1920s and 1930s. These bonds were joined, in the Depression, by a host of so-called "fallen angels": bonds that had started life as investment grade but fallen on

37.8

According to Jan Loeys, an economist at the Federal Reserve Bank of Philadelphia, low-grade bonds made up 40 per cent of all corporate bonds out-standing in 1940. The flood of junk defaults in the 1930s-10 per cent a year-created a pro-



Wall Street took the opportunity to graw at Drenel Burnham's pre-en

Junk bond issues (\$m) 1.379.6

56 98 133 182 228 62 2,499.0 7,534.4 14,111.3 14,754.1 32,399.6 1985 1986

revive the market for originalissue bonds of beneath investment grade. Equities were
depressed, and therefore
expensive for issuers. The new
bonds caught on with adventurous investors, and then with life
insurance companies and
mutual funds.

Deprice the market for originalbids secured on the target comparty stock were really margin
purchases, subject to the usual
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By 1982, new issues were running at \$2.5bn a year, or 6 per cent of the total corporate bond market. In 1983, Drexel Burnham started feeding into its growing network of private and institutional buyers with bonds for leveraged buy-outs and takeovers. It used a highly sophisticated form of credit analysis that jettisoned traditional financial ratios in favour of a brutally unsentimental attitude to asset sales and the maximisation of cash flow.

The next year, Drexel Burnham underwrote no fewer than

The next year, Drexel Burnham underwrote no fewer than 69 per cent of the \$15bn in new issues. By 1986, in the height of the takeover and buy-out boom, lower rate). Added to the high the new issue market was rundersular to the takeover and buy-out boom, lower rate). Added to the high the new issue market was rundersular to the state of the high the new issue market was rundersular to the high the new issue market was rundersular to the high the new issue market was rundersular to the high the new issue market was rundersular to the high the new issue market was rundersular to the new issue market was rundersular to the new issue in the high the new issue market was rundersular to the new issue in the new issue is the new issue in the new issue is the new issue in the new issue in the new issue in the new issue is the new issue in the new issue

But 1986 was probably a watershed for the market and for Drexel Burnham's control of it. The bankruptcy of LTV, the steel company, last summer refocused attention on the higher default risk associated with junk bonds. On a par value bester the default rate for junk basis, the default rate for junk bonds last year was 34 per cent, against a negligible rate for investment grade bonds. This is the highest default rate since the 11.4 per cent of 1970, when Penn Central went bust. The default rate has provided

found aversion to new junk ammunition by regulatory bonds, so that by 1970 only about authorities that wish to limit 4 per cent of bonds outstanding were junk.

In 1977, Mr Milken, who had been making a secondary marbelet in fallen angels, began to the target comparison to the target comparison bonds of beneath invest.

By 1982, new issues were run- default risk is exaggerated.

ning at \$34bn a year, or about a caused junk bonds to under-per-fifth of the total corporate debt

the third year in a row. This year, junk bonds performed splendidly in the first quarter, with yields falling from the panic heights reached with the Boesky revelations in November. But in the past two months junk bonds have been infected by the turmoil in the Treasury

It is the equity market that has been strong. With dividend yields on equities falling to 2 per cent, it has become more attractive to issue stock and less attractive to replace equity with high-yielding debt, as in a lever-

aged buy-out.
In addition, the reform of federal taxation that went into force this year reduces corpo-rate tax rates, thus raising the after-tax cost of debt. Many com-panies, such as Union Carbide, are now retiring their junk bonds with issues of equity. Drexel Burnham itself thinks that the market will grow only 15 to 20 per cent this year, to \$140bn to \$150bn—and it is fighting for its share. Wall Street competitors, such as Morgan Stanley and First

Boston, have captured some of Drexel's business by aggressively offering bridge loans to tide bidding companies over till junk bonds can be issued. First Boston's pledge of almost its entire net worth for Campeau's purchase of Allied Stores last year resulted in a \$900m underwriting Morgan Stanley pro-vided bridge financing for the \$1.3bn buy-out of Owens Illinois, and is expected to provide some form of bridging finance for the recapitalisation of Burlington

Industries.
Drexel Burnham's share of underwritings is still running at about 47 per cent. But it will be tough going to maintain that, whetever happens to the investigation.

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## Debt the key as Japan sets pace

FOREIGN BANKS and securities firms are taking an increasing role in the rapidly-changing US financial system, and there are few signs of a reversal in

this trend. For decades, foreign banks have had an important presence in the US, reflecting the size and importance of the US mar-

bank assets was 21 per cent and 15 per cent.
Growth in Japanese bank assets was 20 per cent in 1985, and an astounding 35 per cent in 1986. By the end of 1986, foreign bank assets totalled \$526.6bn, representing 19 per cent of US bank assets. Japanese banks made up almost half of that total, although the figure was somewhat inflated by their habit of booking most of their western hemisphere loans through their US offices.

Foreign banks account for

committee hearing.

The story does not end with

Part of the growth in the the risk. Part of the growth in the importance of foreign firms can be attributed to their perceived need to position themselves for continued technology-led growth in the global financial markets. But, more significantly, it is being brought about by the emergence of the United States as a major debtor countries the irsk."

To regulators and bankers, the issue underlines the importance of that most overworked cliché in American financial parlance: "the level playing field." More specifically, it heightens the urgency of bringing Japanese banks into the agreement, announced earlier

its high domestic savings rate and huge current account sur-plus, are the natural conduits for those funds.

Predictably, and despite the important economic function they are performing, this expan-

have had an important presence in the US, reflecting the size and importance of the US markets, the role of the dollar as an international medium of exchange and the multinational origin of many of its inhabitants.

Figures from the US Federal Reserve, however, underline how quickly that role is expanding. In 1985 and 1986, assets of the US banking system grew by 4 per cent and 10 per cent respectively, while growth in foreign bank assets was 21 per cent and 15 per cent. lities, for which domestic US banks have much tougher requirements than their Japanese counterparts.

Japanese bankers say their banks are well capitalised, panks are wen capitalised, aided by the existence of hidden reserves; but many agree that the marginal capital required to make a new guarantee or letter of credit is less for a Japanese than for a US bank. In the US letter of credit mar-ket, for example, US banks are through their US offices.

Foreign banks account for almost 20 per cent of business loans to US firms. In some segments of the market, such as standby letters of credit, Japanese banks account for between a quarter and a half of the total US market, Mr E. Gerald Corrigan, president of the Federal Reserve Bank of New York told a recent Senate New York, told a recent Senate mas S. Johnson, president of committee hearing.

Even some Japanese bankers the banks. Foreigners, paced by concede that some of their number may be behaving rather too aggressively. Mr Hiroshi the banks. Foreigners, paced by the Japanese, are also making inroads into the securities business. Eleven Japanese securities firms, with combined capital of \$400m, were employing 1,450 people in the US in 1986. In 1984, nine had been present, with a capital of \$100m, and had employed 450.

Part of the growth in the

States as a major debtor country. Foreign institutions, particularly those from Japan with



Gerald Configan: in some segments the Japanese have nearly half the market

in the	US (\$DII	) ( <b>B</b> )		
	1985 assets	% of US banking assets	1986 assets	% of US banking assets
Japan	181.3	6.1	245.4	8.7
Canada	42.3	1.7	42.4	1.5
UK	61.2	2.4	40.6	1.5
Raly	29.1	1.1	36.4	. 1.4
Settzerland	18.3	0.7	24.5	0.9
France	20.7	0.8	22.4	8.0
West Germany	8.8	0.4	11.0	0.4
All other countries	97.2	3.8	103.9	3.8
Total US banking assets of fore banks	l <b>gn</b> 458.9	18.0	526.6	19.0
Total assets of domestic bank	ing	~~ ~	2.285.9	81.0
Institutions (C)	2,098.7	82.0		
Total US banking assets (C)	2,557.6	100.0	2,812.5	100.0

Banking operations (A) of foreign banks

(A) Total US banking assets of major foreign countrie as of December 31. (B) Amounts for each country include the total US banking assets of II banks from that country, namely the aggregate of the assets of their US branches, encies, bank subsidiaries, Edge Act & Agreement corporations and New York state-chartered investment companies (called Article XII corporations). (C) Includes the total consolidaed assets (domestic & international) of all

For Chemical Bank and others, the major question is broader than the issue of market share in the US. Mr Johnson sees it as an issue of "whether any US financial firms will be strong enough to be ultimate players in a worldwide finan-cial system." US banks are being shackled both at home and abroad by US legislation which limits their activities along business and geographic lines. "Japan now has six banks among the world's 10 largest, compared with America's one,"

But, despite their size, it's not the Japanese banks that he and others seem to fear most. They are, after all, restricted in the same way as US banks from taksame way as US cants from taking part in the securities business. The real challenge, in the
eyes of many, comes from the
giant Japanese securities
houses. Fixed commissions and surging volume on the Tokyo Stock Exchange have allowed them to build up huge profits and big reserves of cash and

capital.

Physically, Nomura or one of its competitors could swallow any one of the top US banks or

Third World debt

## Ripples from Citicorp

investment is a better asset today in Brazil than a loan to the central bank-where that loan is 20 years. other-where that has a gears,
subject to renegotiation at the will
of the borrower, at what would
appear to be an ever-declining
rate "—Mr John Reed, Citicorp chairman, in an interview with The Wall Street Journal.

FUTURE HISTORIANS of the 1980s international debt crisis may well come to remember May 19 1987 as a turning point in relations between the heavily indebted Third World countries

This was the day when Mr John Reed announced that his bank, the biggest international lender, was adding a whopping \$3bn to its reserves for possible losses on its \$14.8bn Third Sibn to its reserves for possible losses on its \$14.8bn Third World debt portfolio.

Although Mr Reed stressed that his action did not mean that

securities firms. In fact, Nomura would suffer only modest dilution, analysts say, if it were to acquire all the publicly quoted securities houses in the US. In the current political environment, such a move is unlikely, but it illustrates the power that these firms can wield worldwide.

Acquisition is on the minds of many Japanese financiers. Mr his bank was writing off a quar-ter of its loans to these countries, most analysts have intertries, most analysts have inter-preted his move as meaning just that Citicorp is taking a \$2.5bn second quarter loss, far and away the biggest loss ever recorded by a US bank, and reducing the book value of its shareholders' funds by a third. many Japanese financiers. Mr Hayashi of Bank of Tokyo says Moody's, the US credit rating agency, which left Citicorp's Japanese bank, is interested in acquiring "a good American investment bank or securities debt rating unchanged, con-cluded that "the provision merely adjusts the financial statements to more accurately reflect economic reality." Stan-

debt situation. The US banks' pretence that loans to major debtors are worth 100 cents on the dollar has been shattered,"

says Mr Geoffrey Bell, an inter-

Times news letter.

house.
"Of all the industries in the
US, the financial services indusdard & Poors, the other major US rating agency, described the move as "a positive response to try is the most competitive," he says. American expertise and know-how in the capital mara deteriorating situation."
Citicorp's action is "a welcome if belated recognition of the realities of the international

kets is something Japanese firms can use. Japanese and US regulators seem to be the major obstacles to the Japanese banks in this area. Japan's Article 65 would

his institution, like every othe

securities firms.

prevent Japanese banks from marketing capital market products in Tokyo.

The Federal Reserve's ruling in the case of Sumitomo Bank's \$500m acquisition of 10 per cent of the charge of Coldman Sachs of the shares of Goldman Sachs will also slow down the pace of

such deals. Sumitomo's investment in Goldman can only be passive, the Fed ruled. The reason would be contravention of the Glass-Steagall legislation, which separates commercial banks from the securities busi-ness. "We are becoming more cautions in doing such opera-tions here," said Mr Hayashi. Nomura would not be subject

Nomura would not be subject to the same regulatory constraints but, interestingly, both Nomura and Daiwa did not take the acquisition route in setting up a primary dealership in US government securities. Both started their own operations from scratch, suggesting that they have doubts about spen-ding money on acquiring firms manned or peopled by Wall Street's fickle and mobile work-

"I think any of the four large Japanese firms could make a big acquisition with the tremendous growth we have seen and their great need to be truly global," said one executive at one of the firms, who would not be party to such a decision. Less politically sensitive, and more likely in the near term, would be further joint ventures between specialist US companies and the Japanese.

Stephen Fidler



over the next few years, Citicorp plans to reliquefy much of
its Third World debt portfolio

by more than a tenth. analysts, for example, described the action as "a positive, constructive move," while Standard and Poors says it

national debt expert, in Inter-"introduces a new discipline and increases the pressure that national Reports, a Financial loss reserves against other les-ser developed country exposure The move is having a ripple effect throughout the rest of the US banking community. Within be built quickly and substandays of Citicorp's announcement, Chase Manhattan, the second biggest New York money centre bank, and Norwest Correction has a fall of the control of the con Corporation had followed suit.
Other US banks with heavy exUS banks will be "very severe."

other US banks with heavy exposures to Third World countries are likely to follow Citiers Hanover Corporation, for corp's dramatic lead, focusing example, both have the equivatention on some of the less lent of nearly twice their equity well capitalised US banking capital committed to Latin giants which may not be able to giants which may not be able to American borrowers and are afford to take such a swingeing less well placed substantially to bolster their reserves. hit to their equity.

Citicorp decided to boost its Mr Henry Kaufman, Salomon

bit to their equity.

Citicorp decided to boost its loan loss reserve ratio from a below average 1.39 per cent of loans to an above average 3.7 per cent because it seems to have come round to the view that there is not going to be any speedy resolution of the problems of the third world. "The debt problems will be with us into the 1990s and we see nothing in the global economy that would enable these countries to get out of their situation," says Mr Reed.

While he stresses that there is intiate citizens action.

tries to get out of their situation," says Mr Reed.
While he stresses that there major US bank is going to has been no change in Citicorp's basic position vis-a-vis the sovereign debt issue, and he continues to be an active corp's more conservative rivals supporter of US Treasury Secretary Raker's debt initia.

It is clear that, within the US banking community, not every major US bank is going to imitate Citicorp's action. Indeed, aside from the less well capitalised groups, some of Citicorp's supporter of US Treasury Secretary Raker's debt initia. supporter of US Treasury question why it was necessary to Secretary Baker's debt initiative off a third of Citicorp's tive, it is clear that Citicorp has shareholders' funds at this time. decided to clean up its One explanation is that, after sovereign debt portfolio by tak-

its Third World debt portfolio by asset sales, debt/equity swaps and other measures.

Although Citicorp is merely withdrawing funds from its shareholders funds to top up its loan loss reserve ratio, Wall Street's initial response has been very positive, and in the first week Citicorp's shares rose by more than a tenth.

higher loan loss reserve ratios. Apart from the implications for the rest of the US banking community, Citicorp's action could have a major impact on the resolution of the Third World debt crisis. It has strengthened the banks' bargaining hand and, "despite all the rhetoric to the contrary, as more and more banks take by more than a tenth. as more and more banks take
Salomon Brothers' bank big hits, I simply cannot see
analysts, for example, those same banks being willing to extend new loans to the

to extend new toans to the debtor nations, whether to pay interest or to grow," says Geoffrey Bell.

Mr Felix Rohatyn, of Lazard Freres, told the Washington Post that Citicorp's bold action "clearly jars the financial system. We a fissure running up tem. It's a fissure running up and down the walls. Right now, you cannot tell how far it is

going to go."

Mr Rohatyn says that "it is hard to imagine that it will lead to anything except a sharp reduction in lending by the banks "; and Mr Norman Bailey, an international debt expert and former member of the National Security Council staff National Security Council staff. describes Citicorp's action as marking the final "coup de grace" for the so-called Baker initiative.

However, Mr Reed describes nowever, Mr Keed describes himself a great fan of US Treasury Secretary Baker and his debt initiative, and does not subscribe to the negative interpretation of his action.

" Everybody is saying that the Baker initiative is dead, banks won't lend any more to developing countries, and it's amazing to me because the facts are no there," said Mr Reed in a recent interview with the Wall Street Journal, adding that: "There has been new money flowing, and most observers would believe that there must be new money flowing in countries that are seeking to grow and that are structural

William Hall

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#### **Thrifts**

## Savings banks' problems persist

industry makes some observers uneasy, the condition of some members of America's \$1.1 trillion (million million) savings bank industry is positively hair-raising. Solving their problems, before nervous depositors begin to rush for the exit, is a top priority for US financial policy

The problems of the US sav-ings bank industry are not new. Reliance on fixed rate lending, at a time when interest rates at a time when interest rates were soaring because of the rapid rise in prices, pushed many thrifts into bankruptcy in 1981 and 1982. The industry was subsequently deregulated, but many savings banks have been unable to rebuild their capital base, while others have taken advantage of the freer supervisadvantage of the freer supervis-ory atmosphere to expand into new and more risky areas. Last year the earnings of the 3,235 federally-insured US sav-

ings and loan associations (S & Ls), often referred to as "thrifts", fell by 54 per cent to \$2bn, despite lower interest rates; and the industry's return on assets, a key indicator of its financial health, dropped from financial health, dropped from 0.4 per cent, in 1985, to 0.17 per cent. It was the industry's worst performance since 1982, according to a report by Sheshunoff Co, a financial consultancy firm. The savings bank industry can be divided into three tiers, says Mr Alex Sheshunoff president Mr Alex Sheshunoff, president of Sheshunoff & Co. "First, you have the long-term winners that. through early adaptation of variable rate loans and consistently good asset quality, have done and will continue to do well. Second, there are the low interest rate wonders 'that survived the period of high interest rates and now have large portfolios of high-yielding fixed rate loans as their cost of deposits has fallen. And third, the major losers that bet heavily

Top 20 US thrift institutions, by deposits (\$m) Deposits Net worth as % of 31/12/86 31/12/86 21,774.8 1,574.6 5.67 Home Savings of America 18.130.5 1.348.9 4.92 Great Western Bank 1.63 16.977.8 552.1 American Savings & Loan ASSI 15.455.8 1.067.8 5.20 California Fed. Savings & Loan Assn 12,700.3 857.0 Glendale Federal Savings & Loan Assn 12,676.1 N.A. Meritor Savings Bank 4.92 790.2 11,079.4 First Nationwide Bank 11,016.2 299.4 2.04 5.78 8,877.4 754.7 Great American First Savings Bank N.A. N,A, Home Fed. Savings & Loan of San Diego 8,562.0 748.6 6.02 7,698.5 World Savings 357.0 City Federal Savings Bank 6.876.5 823.5 8.16 370.1 582.3 6,468.0 5.03 Anchor Savings Bank 6.96 Dime Savings Bank of New York 6,464.3 5,931.1 699.2 7.19 Coast Savings & Loan Assn 5.727.0 558.8 4.93 Gibraltar Savings 5,532.3 281.1 3.15 Imperial Savings Assn N.A. 345.1 5,192.6 Columbia Savings & Loan Assn 5,136.4 **Bowery Savings Bank** 

prices have plummeted.

"The major problems facing the savings industry today focus on the activities of a small minority of S & Ls." says Mr Sheshunoff, who nevertheless stresses that the total financial impact of these problems will cost tens of billions of dollars

before it is over.

This is what is worrying the hard-pressed regulators of the US savings bank industry. They are uncomfortably aware that the Federal Savings and Loan Insurance Corporation (FSLIC) which was set up to protect the money of the small depositors, has been insolvent, like many of its customers, for some months: on commercial real estate and and that, despite the concerted land acquisition in the southwest and other markets where

to bail the industry out by agreeing to pump an extra \$15bn into FSLIC.
The General Accounting

Office, watchdog agency, found that FSLIC was insolvent by \$6.3bn at the end of last year and had well under \$1bn of cash to pay off the depositors of failed

banks.
This has severely limited FSLIC's efforts to come to the rescue of severely troubled thrifts, and regulators stress that the longer the rescues are delayed the higher the eventual cost to the insurance fund. Mr Edwin Gray, the chairman of the Federal Home Loan Bank board, who is responsible for the thrift industry, says that his problem caseload is losing

day, or \$3.8bn a year, and that the rate of losses is growing dramatically Last year FSLIC's caseload of institutions in serious financial trouble virtually doubled to 183, and it has estimated that the cost of providing assistance to the nearly 300 insolvent S & Ls may range up to \$21bn, with an extra \$4bn needed for another 100 institutions that currently appear to have little chance of recovery. FSLIC's financial problems have already led to some savings banks being forced to pay excessively high interest rates, to prevent nervous depositors removing their money. Meanremoving their money. Submitted while, some of the healthier are becoming thrifts increasingly restive about being increasingly restive about being asked to provide higher deposit insurance premiums, which are then used to bail out their imprudent rivals. Several big thrifts have threatened to leave the FSLIC system and switch their charters, so that their

deposits are protected by the better capitalised Federal Deposit Insurance Corporation. Some industry observers stress that too much attention is being paid to the problems of FSLiC which, they say, are largely technical. They argue that, at the end of the day, the Government would forced to come to the aid of FSLIC if it could not meet its

obligations Meanwhile, there are other analysts that complain that the media has spent too much time focusing attention on the 15 per which is insolvent. "The majority of the thrift industry is healthy and prospering. The two thirds of the industry with net worth above 3 per cent of liabilities earned over 85 basis points on assels in 1986," says Ryan, Beck & Co. a New Jersey investment bank which specialises in raising capital for the thrift industry.

William Hall

Loan loss

## **US FINANCE AND INVESTMENT 11**

#### Commercial banks

## Enter the super-regionals

THE 14,000 US commercial banks are facing probably the greatest upheaval in the history of their industry since the 1930s. Increased competition, combined with falling profits and deteriorating asset quality have contributed to a sense of unease about the health of the US bank. about the health of the US bank-

about the health of the US banking industry.

The recently announced second quarter losses at Citicorp and Chase Manhattan—far and away the biggest quarterly losses at financil institutions ranging from BankAmerica and Mellon Bank to the Texas banks, have led to an unusually large amount of red ink being spit over the US financial land-scape.

through a series of increasingly large mergers a new generation of "super-regional" banks is quickly emerging.

Wall Street has accorded several of these new regional banking empires, such as Suntrust Banks, First Union and PNC Financial, star status, with the result that their stock market capitalisations dwarf that of many of their better known money centre rivals. There is

Even outside the recognised us banks, overall, have had to banking industry.

accept greater loan risk in order

Meanwhile, although much to maintain earnings and loan has been made of the way the volume.

Salomon Brothers

Goldman Sachs

Kidder, Peabody Paine Webber Bear, Steams

Morgan Stanley Drexel Burnham Lambert

Merrili Lynch Capital markets

Shearson Lehman Brothers

Prudential-Bache Securities

Dean Witter Reynolds E.F. Hutton Lazard Freres Ollion, Read

Alex, Brown & Sons

Smith Barney, Harris Upham

Donaldson, Lufkin & Jenrette

L.F. Rothschild, Unterberg, Towbin

However, the message coming out of the US banking industry is not uniformly gloomy. US regional banks, which have seered clear of Third World leading and exposure to the bard-hit US farm and energy sectors, are flourishing; and through a series of increasingly reduced their reliance on direct bank lending, the big banks have been fighting back. The investment banking operations of banks such as J. P. Morgan, Bankers Trust and Citisectors, are flourishing; and through a series of increasingly substantial inroads into the traditional turf of the Wall

money centre rivals. There is still plenty of money to be made

1985 Number of 1986 Number of Amount issues Amount Issues

274

171 188

145 164

33 24 11

12

15

51,028.3 450

44.096.1

31.819.6

30,732.2 30,537.7

29,456.4

17,512.6 10,153.5

5,048.9 4.087.5

4,073.4

3,465.4 2,419.5 2,341.1 2,198.7

2.173.5

1,499.4 1,334.2

406 275

266 313

281 186

26 40 47

Both are positive long-term developments for US banks.
Against this background, here is a birdseye view of the financial condition of the US banking industry drawn largely from the

Street investment banks; and when the banks are finally per-

mitted to begin competing in lucrative areas, like municipal

develop major new earnings streams.

tion in the US securities mar-

Commercial and industrial loans grew only 4 per cent. "reflecting softness in demand and heightened non-bank comback. The investment banking operations of banks such as J. P. Morgan, Bankers Trust and Citicorp, for example, are making substantial inroads into the traditional turf of the Wall Street investment banks; and petition," says the FDIC. Return on US bank equity in 1986 averaged 8.75 per cent, and return on assets totalled 0.74 per cent. This comares with levels of 13 per cent and 1 per cent respectively, five years ago. Earnings are continuing under pressure

revenue bonds and mutual funds, they will be able o in 1987.

• Unusually heavy loan loss provisions continue to hurt profits. Provisions rose by 23 per cent to \$21.7bn in 1986, of which \$16.3bn The pressure for allowing even greater US bank participareflected loan charge-offs.

The ratio of loss reserves to

non-performing assets stood at 50 per cent at the end of 1986, kets is building a head of steam, while the barriers to nation-wide banking in the US are fall-ing more rapidly than exected. compared with 45 per cent a year early. Nevertheless, banks' non-performing assets continue to grow, and totalled \$57.5bn, or 1.96 per cent of assets, com-pared with \$51.1bn, or 1.87 per

1987 as % of As % of 1987 non-per % change totai ratio ļoans employees (Sbn) loans on year 1.39 88.500 6,438.00 5.10 5,486.00 7.38 3.16 68.000 67.0 7.90 Chase Manhattan 6.88 1.69 47.000 104.0 4,600.00 -28 4.70 J. P. Morgan 8.19 2.64 14.518 - 3.2 1,883.00 5.20 Manufacturers Hand 3,330.00 29,697 Security Pacific 1.72 35,000 6.53 64.0 1.770.00 4.01 +12 Chemical New Yorki 7.26 -16 20,000 61.0 86.2 2,390,00 6.16 **Bankers Trust** 57.9 124.2 1,300.00 5.10 6.87 First Interstate 6.93 40,527 + 5.7 \*1,765.00 5.21 Wells Fargo 21,500 1,400.00 First Chicago 40.1 65.0 1,341.00 5.40 8.28 13,200 + 3 Mellon Bank 2.58 19,447 34.4 (59.8)N.M. 1,452.00 6.51 7.23 Continental Illinoi 2.35 32.2 9.477 908.00 7.62 + 7.5 4.64 Bank of Boston 32.0 \*886.70 \*3.90 7.40 20,891 +35 First Bank System +23.1 7.10 9,970 PNC Financia 11,574 27.1 +26 404.80 7.76 1.50 53.9 **\*275.80** 12,107 26.5 1.73 6.56 + 1 \*200.90 1.17 7.00 1.55 19,700 Bank of New England; 25.8 60.Q +23 364.00 1.87 7.38 1.28 14.827 First Union +22 \*180.68 20,000

The top 20 US banks—first quarter 1987 (\$m)

\* Non-performing assets. † As of May 1, Chemical Bank merged with Texas Commerce Bancshares. ‡ As of April 22, Bank of New England merged with Conifer Group. § Approximate figure.

Against this background, here is a birdsey view of the finanpared with \$51.1bn, or 187 per
cent of assets, comcent of assets, comcent of assets, comprecent of assets, comprecent of assets, comprecent of assets, comprecent of assets, comcent of assets, comprecent of loading comparison of
precent of loading comparison

#### Source: IDO Information Services investment banks

Leading managers of underwritten offerings (\$m)

30,898.2 21,572.7

10,050.1

13.336.7

16,365.1

9.609.5

2.920.5 1,320.4

1,346.9

1,639.0

1,352.8

292.9

## Taking risks the British way

FIRST BOSTON booked \$100m remained a partnership but of revenues for helping Cam-sold a 12.5 per cent stake for peau win its bitter \$3.5bn \$500m to Sumitomo Bank of takeover battle for Allied Stores Japan; American Express sold a earlier this year. If the invest- 13 per cent stake in its Shearson ment bank's rewards appeared Lehman subsidiary to Nippon great, so were the risks. It laid Life of Japan at 28 times book \$365m, of its own money, on the value, in an exercise which took line for almost five months as Shearson public; and General bridge finance until it could Electric bought 30 per cent of refinance the Canadian real Kiddel

refinance the Canadian real estate developer's borrowings in the junk bond market.

The deal was the most spectacular example to date of the way competitive pressures have driven Wall Street investment banks to put their own money at risk in order to win juicy slices of the mergers and acquisitions business. The days of growing rich on fee income alone are dwindling.

The banks say the use of their own capital is the same as the

The banks say the use of their capital countries of the capital traditional practice of British base is pressuring profitability merchant banks of taking equity stakes in companies they nur- Liss, an analyst with Salomon stakes in companies they nur-ture. But, unlike their British Brothers.

Firms have scrambled to put

Firms have scrambled to put

work but with counterparts, the investments are likely to be short term and designed solely to facilitate the mixed results. Some investment have been counterparts, the investment have counter them.

substantial shareholders in, of the most revealing trends has respectively, Borg Warner and burlington Industries, two industrial companies they are taking private to thwart hostile

While the investment banks While the investment banks are confident in public about the merits of this new line of business, the credit ratings agencies are far from sanguine. Standard & Poors recently downgraded Merrill Lynch's debt, for example, citing a number of adverse factors, including the use of its own capital in deals.

Salomon Brothers admitted that its 40 per cent drop in fourth quarter profits last year was due largely to its pell-mell expansion during the year in Tokyo and London. On the other hand, Morgan Stanley said its record profits were due to planned growth in its activities.

The speed with which these conditions can change carries a

Mr Courtney Jones, Merrill Lynch's chief financial officer, said the firm was "very disap-pointed" by the downgrading. "We agree there are risks"

"We agree there are risks" inherent in the activity, but the company is "instituting more advanced controls."

Success brought these headaches for investment banks. With mergers and acquisitions deals totalling almost \$180bn a year in 1985 and 1986, a small circle of top firms booked princely fees. Less fortunate firms, prompted by declining profits in other areas, such as underwriting, have been heavily committing resources to break into the big time—just as the frenzied pace of the busi-

substantial sums of capital at firms like Pru-Bache, but not at Morgan Grenfell," said Mr Randall Caudill, as he explained recently why he is moving from the head of US merger and acquisitions at the British merchant bank to its American com-

In addition to merchant banking, the dramatic increase in 20 years; Merrill Lynch has foreign activities. "bought hired top outsiders, such as Mr deals," shelf registrations and other capital intensive activities, have forced a number of wall Street firms to seek outside shareholders.

Over the past year, for example, Goldman Sachs

overall deal.

It seems highly improbable, for example, that Merrill Lynch and Morgan Stanley will remain substantial shareholders.

years. Salomon Brothers admitted

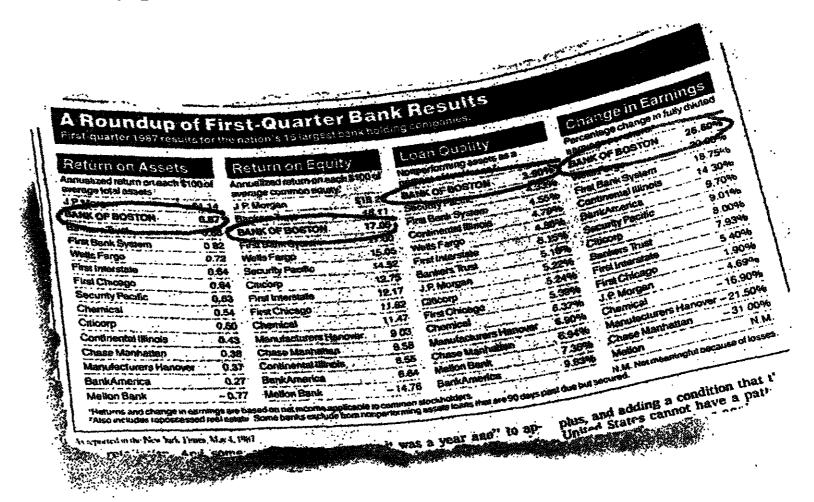
conditions can change carries a double edged effect. On one band, Salomon said recently that the expansion was begin-ning to pay off, and during the first quarter its foreign business

break into the big time—just at the frenzied pace of the busi-backed securities, unplanned and as yet low-profit expansion. ness has been cooling off.

The M and A business is going to be dominated by the prevented or at least detected earlier by more rigorous con-

trols.
Significantly, a number of firms are beefing up management structures and making more formal the process of risk assessment and capital allocapetitor. Pru-Bache has ear-marked \$500m for the business example, has added its first new layer of senior management in 20 years; Merrill Lynch has Eugene Rotberg, former treasurer of the World Bank; by non-Wall Street executives.

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## Accountants await mirror reflections by Treasury

ALL OF the props had been knocked away by the year-end. As the last few billion dollar deals—Allied Stores, Revco, Reliance Electric, Fruehauf and ITT telecommunications—squeaked through with only hours to spare before the December 31 deadline it seemed.

When, in January, large-scale with a combined value of special seven deals worth of over the publicity quoted companies in the first quarter of 1987, compared with 381 deals worth special several was all too willing to jump to the same period of 1986, according to figures compiled by IDD information services. hours to spare before the De-cember 31 deadline, it seemed For tax reform

allowed predator companies to write up the value of their ac-quired assets, and thereby accelerate their depreciation. This pulled the plug on the most powerful fiscal motor which had kept the merger business spin-

tax reform put into serious jeopardy the widespread use of the assets of acquired corpora-tions into essentially fictitious subsidiaries before they were disposed of, making it possible to mitigate the capital gains tax liability that normally arises when corporate assets are disposed above their book value. bled in two years. On January 8, while the General Utilities when the Dow Jones Industrial doctrine has now definitely Average broke through 2000 for gone, the wording of the TRA on the first time in history, the "mirrors" was left deliberately ambiguous, according to Mr Eli multiple had risen to 16. Fink, a partner at accountants Deloitte Haskins & Sells, because of differences of opinion believe in the gross undervaluabetween the House of Repretion of corporate assets on Wall sentatives and the Senate on Street that provided the ultiwhether the tax laws should mate economic rationale for the discourage trading in corporate merger boom. Looking back on

the Treasury. In the meantime, cial markets, a set of clearly Mr Fink says that banks are applying much more conservative some entirely unexpected contax calculations than in the past to their financing of mergers and buvouts.

corporate managements, were so-called "mirror companies." tightening some of the legal re-These mirrors were used to split strictions on tender offers, stock accumulation and greenmail payments, with a view to making

cially, by early January stock market prices had nearly dou-

As a result, accountants and financial officers are now awaiting an explanatory ruling from so often happens in the financial officers.

o their financing of mergers

Despite the slow start in Januard buyouts.

Tax reform would not, of mergers, corporate raids and course, have been enough to leveraged buyouts, has shown stop the rush of mergers, buyouts and corporate raids. But were 723 mergers and buy-outs,



Mr Robert Maxwell: a fascinating legal battle

For tax reform was only the as if one of the most dramatic last straw. From the summer of

episodes of corporate re-structuring in US financial his-ness had suffered a series of transactions increased from 10 in the first quarter of 1986 and tory had reached its spectacular potentially stunning blows. The climax.

The Tax Reform Act, which came into effect on New Year's Day, eliminated the General Utilities doctrine which had allowed predator companies to come the final arbiters of many standing stows. The ever-widening ramifications of the insider trading scandal seemed certain to undermine the power of the two key financial communities which had become the final arbiters of many standing stows. The ever-widening ramifications of the insider trading scandal communities which had become the final arbiters of many standing stows. The ever-widening ramifications of the insider trading scandal communities which had seemed certain to undermine the power of the two key financial communities which had allowed predator companies to three months from January to March. There has been no diminution in the rate of merger and acquisition activity, partly because Wall Street has been employing all its ingenuity to see that the deal-making continues unabated, and partly because the financial and econoa corporate battle—the junk bond investors, based on the Drexel Burnham Lambert office mic fundamentals have con-tinued to play into the mergerin Beverly Hills; and the Wall Street "risk arbitrageurs," a group originally dominated by none other than Mr Ivan Boesky. The confidence and flexibility of the junk bond market, which has provided the financing for

Meanwhile, state legislators, under the pressure of terrified aggressive merger activity more difficult.
Most fundamentally and cru-

With stock prices at this lofty

lend AFG Industries \$1.25bn in its abortive bid for GenCorp, the bank was putting 44 per cent of its capital potentially at risk. But for the acquiring company. the speed and secrecy of a bank line is arguably preferable to the rigmarole which used to be required to get the celebrated "highly confident" letter from Drexel Burnham Lambert which testified to the junk bond market's willingness to finance the transaction in question.

The relative quiessence of the arbitrageurs has also changed the rules of the game somewhat. While the weakening of the arbitrage community has made it harder for individual raiders to put companies " in play " sim-ply by hinting at their intention to start buying stock, it has also arguably made it easier and cheaper for skilful operators to accumulate large stakes in target companies, with little ini-tial effect on the share price—as evidenced, for example, by the 14 per cent stake in Allegis built up by Coniston Partners in May.

The number of billion dollar

has provided the infancing for the vast majority of takeovers and buyouts, may have suffered in the wake of the insider trad-ing scandal. But Wall Street has come up with new, and ever more spectacular, methods of

lining up the funds required. A
"bridge financing" from an investment bank, is today a Standard feature of takeover and

buy-out announcements.

For the investment banks, the

arrangements are considerable.

Shearson Lehman's offer to

Legal and institutional changes have also had mixed effects. Greenmail may have been more or less ruled out as a been more or less ruled but as a takeover defence, in practice if not yet in law, by the indignant opposition of shareholder groups and politicians alike. But as part of the same process, corporate restructurings designed to "enhance shareholder values," even at the cost of enormous debt accumulations, have acquired a new aura

of respectability. Groups like the Council of Institutional Investors, a body that represents large public sector pension fund managers, have been in the forefront of attacks on greenmail, but they have foon greenman, but they have to-cused their criticisms only on preferential treatment accorded corporate raiders, when their shares are repurchased in a greenmail transaction.

Major Leveraged Buyou	ts of 198	6-87
Company	Price (\$m)	Status
Borg Warner Safeway Stores Owens-Illinois Lear Siegler Supermarkets General	4,230.0 4,198.0 3,640.0 2,100.0 1,800.0	Pending Completed Pending Completed Pending
National Gypsum Exxon's Reliance Electric Div Beatrice Beatrice's Playtex operations Revco D.S.	1,640.0 1,350.0 1,250.0 1,250.0 1,227.0	Completed Completed Completed Completed Completed Completed
Heritage Communications Union Carbide's Home & Auto Products Uniroyal's chemical operations Fruehauf Metromedia's outdoor advertising	835.0 800.0 760.0 722.0 710.0	Pending Completed Completed Completed Completed
Amsted Industries Rockefeller Broadcasting Group Wometco Joy Manufacturing Leaseway Transportation	661.0 625.0 625.0 621.0 602.0	Completed Completed Completed Pending Completed

1986-87 mergers &	acquisitions	valued o	ver \$1bn
Target	Sidder	Value (\$bn)	Status
RCA	General Electric	6.40	Completed
Spenty	Burroughs	4.39	Completed
ASC	Capital Cities	3.50	Completed
Midoon	Occidental Petrologas	3.00	Completed
Associated Dry Goods	May Dept. Stores	2.47	Completed
Comsat	Contel	2.42	Pending
Pledmont	Usak	1.59	Pending
Union Carbide's Battery Div.	Raiston Purka	1.42	Completed
JTL Corp.	Cora-Cola	1.40	Completed
Tenneco's Life Insurance Div.	ICH	1.34	Completed
Fleet Financial Metromedia's Cellular & Paging Crocker National Overnight Transportation Co Texas Commerce Bancshares	Norster Bancorp	1.30	Pending
	Southwestern Bell	1.21	Completed
	Wells Fargo	1.08	Completed
	Union Pacific	1.20	Pending
	Chomical Bank	1.19	Completed
AMC	Chrysler	1.18	Pending
Sanders Associates	Lockbeed	1.18	Completed
Collins & Alloman	Wickes	1.16	Completed
Rainter Bancorporation	Security Pacific	1.15	Pending
Hammermill Paper	International Paper	1.08	Completed
Ex-Cell-O	Textron	1.05	Completed
Unisys' Aircraft Business	Honeywell	1.03	Completed
BCI Holding's Bottling Operations	Coca-Cola	1.00	Completed

were given the opportunity to provided the real motive of sell back their stock. Partly as a for the merger movement. result, financial restructurings of an audacity which would have scarcely conceivable even a year ago, have become the latest fad on Wall Street.

few days of one another. assets during the interim pe Although these plans were called recapitalisations, they actually committed the committee the matters to the medicary matter than the cost of financing plus the cost panies to borrowing billions of dollars — well in excess of their

sire to thwart takeover bids from Mr Robert Maxwell and Coniston Partners respectively. Mr Maxwell's legal challenge to this ploy could turn into one of the more fascingting of Wall the more fascinating of Wall Street's many current court batties. In the end, all of the institutional, fiscal and legal crosscurrents may have had a zero net effect on the number of takeovers and buyouts.

The most important determinants of merger activity have most alarming portents for the been, as ever, in the financial year ahead. and economic environment. While the stock market's stra-

Far from denouncing the tospheric level may have whole principle of managements using debt-financed repurchases to entrench themporture against accordance to the control of the second second page 1 to the second page 2 selves against corporate raid-ers, the institutions have called Street, it was never the gap be-for repurchase offers to be ex-tended so that all shareholders costs and financial values that provided the real motive force

The key financial considerations in most recent US mergers and leveraged buy outs has not been the bargain price of the target company's industrial assets, but rather the money The culmination of this trend assets, but rather the money occurred in late May, when Harcould be raised by selling court Brace Javinovich and Allegis announced two enormous recapitalisations within a plus the cost of financing the

loans and junk bond issues, and then repaying essentially the whole of their equity capital to investors through special dinarket value of its component tial market value of its component value. whole of their equity capital to investors through special dividends.

The purpose of the plans certainly appeared to have less to do with any tidying up of balance sheets than with the declaration of the less to the plans can find. Of course, if the large sheets than with the declaration of the less to large sheets than with the declaration of the less to large sheets than with the declaration of the less to large sheets than with the declaration of the less to go into a property rates of the large declaration of the less to go into a property rates of the large sheets than with the declaration of the less to go into a property rates of the large sheets than with the declaration of the less to go into a property rates of the large sheets than with the declaration of the large sheets than the large sheets the large shee lance sheets than with the de-sire to thwart takeover bids were to rise sharply, many of the particularly liability lines

> However, with interest rates falling and no end to the stock-market's ascent apparently in sight, it is hardly surprising that merger mania continues — or that the few bears left on Wall Street see the unabated dealmaking frenzy as one of the

**Anatole Kaletsky** 

Insurance

## Falling rates offer a hint of over-capacity

shortage is over. The new prob-lem is not too little but too Unfortunately for the indus-

This may be news to the ordinary Manhattan pub-owner or the operator of a Vermont ski \$4bn operating loss in 1984. operator of a Vermont ski \$4bn operating loss in 1984, resort, who are still hard when the industry's combined pressed to get any insurance cover at all. But outside heavyweight commercial liability risks, the bulk of America is renewing its insurance policies without the staggering increase in rates or decline in cover that have been a feature since the have been a feature since the second half of 1984.

ance industry and the legal pro-fession, over who was responsi-ble for the shortage of insur-ance, has turned into a sullen truce. Insurers still say they are being crippled by multi-million dollar jury awards, particularly in product liability cases, and have been forced to cut cover and raise rates.

Lawyers say the insurers are reaping windfall profits. About half the states in the Union have tinkered with their insurance regulations, but the calls forwholesale rate-capping or "tort reform" have died down. Last year, the property/ casualty industry reported operating profits of \$5.6bn, after

osing exactly the same amount in 1985. Earned premiums were up over 23 per cent But, far from anticipating sharply rising earnings and dividends at the insurers, the stock market has allowed their share prices to drift since they touched a peak in March 1986.

As a leading indicator, the stock market is haunted by fears that the insurers will once again cut their own throats (and pro-Already, the first signs of insur-ance over-capacity are appear-ing in flat or falling rates in commercial property. "We're hearing of a relaxation of stan-dards and prices," says Mr David Seifer, a stock analyst at First Boston, who has just recommended selling stocks heavily weighted towards com-

mercial property.

The US insurance industry to other financial operators—
plus the cost of financing the
assets during the interim period
while a buyer was sought.

In this context, what really
matters to the merger-maker is
not the gap between a company's market value and its replacement value. but the gap

#### Property/casualty insurance industry

Combined ratio after policy Operating holder dividendsincome (\$bn) 112.0 117.9 1985 1986 108.1

THEY SAY the US insurance premiums at historically high

try, interest rates fell just as the became known as the insurance

second half of 1984.

There are other signs of temporary equilibrium. The mud-slinging between the insurance industry and the legal profession, over who was responsible for the shortage of insurance, has turned into a sullen many analysts and industry members are still hoping that The key question is whether rates will not peak until next year, there are some gloomy signs:
• In the past three years, the

industry has sucked in no less than \$16bn in capital. With a return on equity last year of 13 per cent, property/casualty insurance is once again an attractive alternative to manufacturing for owners of capital.

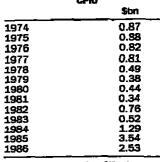
• The jacking up of rates since 1984 has driven whole sectors of the economy out of reach of the industry. The insurers are still most unwilling to underwrite medical malpractice or pollu-tion, toxic waste and some chemical cover. Seagram, the large North American drinks company, has just announced that it is endowing a scheme for pub and liquor-store owners to insure themselves against liability for drunk-driving

customers Mr Edgar Bronfman, president of Seagram, remembers talking to a restaurant owner in Denver whose premium for liquor-law liability rose tenfold 1984. Such self-insurance pools now account for about a traditional insurers to fight more keenly for the remainder, as evidenced in commercial property.

Optimists claim that the very severity of the trough of 1984-85, and changes in the operating environment, should keep the

New funds invested in property/casualty insurers

Value adjusted to 1974 dollars using



insurers from suicidal rate-cutting for a while yet.

Good weather and very high premium rates have led to unsustainably attractive under-writing profits in commercial property: combined ratios were down in the '80s. But property is under 10 per cent of total pre-mium volume, and the rest is still unprofitable before investment income is added in. In addition, insurers can see quickly if property returns are inadequate—and duly raise rates—because claims come in

as soon as the thunderstorm or hurricane is past.

Liability is the opposite.
Because the extent of losses is still not known, insurers are still lifting premium rates on many long-tail lines. A great deal of the capital raised has probably gone to rebuild loss reserves rather than support an aggressive push for new business.
Meanwhile, reinsurers and

the Lloyd's market are chary of US liability business and are cramping the primary market. Lower interest rates may quell the dangerous passion for cashflow underwriting in the long-tail lines.

James Buchan

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Insider trading

## Clouds hang over the best houses

insider-trading scandal burst over Wall Street, and the shock waves are still reverberating through the securities industry. Ten people have pleaded guilty to insider trading. Four have gone to gaol and will soon be joined by others including Above all, Boesky agreed to almost certainly, the lynchpin of the investigation, Mr Ivan prosecution's job for it. He

Boesky.
It is Wall Street's sleaziest on secret information derived from confidential client relationships. Other firms wait uneasily for the next series of revelations to surface in the press or in spectacular announcements from the

prosecution. Meanwhile, at legal practices meanwhile, at legal practices has ramined into two main scattered across Manhattan, branches. Siegel pleaded guilty tense negotiations proceed on February 13, after confessing between a tight-knit group of to running his own insider-tradhighly paid lawyers. Some are ingring at Kidder Peacody after follows. acting for the Government. The falling out with Boesky. He others are former prosecutors denounced two former arbitors Securities Exchange Commission officials now in private Tabor and Mr Richard Wigton) practice, defending the bankers denounced by Mr Boesky and other witnesses. Wall Street's bad year began

on May 12, 1986, when Dennis Levine, who worked in mergers and acquisitions at Drexel Burnham Lambert, was arrested on charges that he had reaped more than \$12m in illegal profits from insider trading. It was the first time for years that the

prosecution was able quickly to vacuum up the subordinate members of his insider-trading Brown, a junior banker at Goldman Sachs.

But sometime in June, Levine really earned his keep. He told the SEC investigators and Mr Charles Carberry, the Assistant US Attorney in Manhattan, that he had passed on information to Boesky, a colourful trader who made an extravagant living from speculating in takeover stocks or risk arbitrage. Mr Boesky was

Boesky agreed to an extraordin-ary deal with the SEC and Mr Rudolph Giuliani, the US Attor-

mendation of leniency, Boesky agreed to plead guilty to a charge of filing false documents and to pay over no less than \$100m, or the equivalent—as Mr R Giuliani later put it—of the SEC's entire annual budget.

prosecution's job for it. He taped conversations with bankers. He denounced Mr Martin scandal for 50 years. Some of the Siegel, a senior banker at best houses on the street are Drexel Burnham who had sold accused of harbouring senior bankers who routinely traded Kidder Peabody; he led the pro-Kidder Peabody: he led the pro-secution to Boyd Jeffries, a Los Angeles broker, who had helped "park" stock for him to avoid disclosure: and he set the investigation running after a large, powerful and elusive prize, Drexel Burnham itself. Since then, the investigation has ramified into two main and the partner in charge of arbitrage at Goldman Sachs, Mr

Robert Freeman. The case of the three arbitrageurs has brought the prosecution into new and tricky territory. All have pleaded not guilty, and Mr Freeman has the guity, and air reeman has the powerful support of Goldman Sachs. The three were arrested in dramatic circumstances on February 11 and 12, but Mr SEC had a strong case for a Giuliani has yet to bring them to crime which is inordinately hard to prove.

Within 10 days, Mr Levine set the pattern which has made the investigation possible: he informed on his colleagues. The informed on his colleagues. The setback to the Kidder.

The setback to the Kidder/ prosecution was able quienty to vacuum up the subordinate ably only temporary. But few are willing to predict the outate at Shearson Lehman, or David more ambitious, probe into Goldman investigation is prob Drexel Burnham, the highly profitable Wall Street firm which has revolutioned US investment banking through its pioneering "junk bonds."

Mr Gary Lynch, head of enforcement at the SEC, and Mr Giuliani are now examining the relationship Drexel Burnham. whether between Burnham, various corporate raiders, and at the centre of the takeover wave sweeping America, with unequalled contacts throughout Wall Street. He was a prize.

It is still hard to know the strength of the Levine evidence strength of the Levine evidence was a strength of the strength of the Levine evidence was a strength of the strength against Boesky, who had sur- wrongdoing and has launched a vived years of suspicion and publicity campaign to rehabili-countless probes from the SEC tale its image. As investigators and the New York Stock sift through mountains of paper Exchange. But he gave in At the beginning of September, Mr Burnham, they must be wondering whether they will still be in

James Buchan

